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April 29th, 2022

Money, Property and Labor: Notions of Personal Wealth and Social Justice in the Soviet Union after Stalin, 1956-1991

A dissertation presented

by

Anna Ivanova

to

The Department of History

in partial fulfillment of the requirements

for the degree of

Doctor of Philosophy

in the subject of

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Money, Property and Labor: Notions of Personal Wealth and Social Justice in the Soviet Union after Stalin, 1956-1991

Abstract

This dissertation explores the role of personal wealth in the later years of the Soviet Union. It examines how individuals enriched themselves, as well as the meaning of financial affluence in a country that proclaimed itself egalitarian, eradicated private property and criminally prosecuted private enterprise. It is usually believed that the only privileged group in the Soviet Union was the nomenklatura, the high-ranking state and Communist party officials, as well as academic and cultural elite, who were rewarded materially for their loyalty and service. I suggest that in the period from the 1960s to the 1980s there emerged another elite group in the Soviet Union, those who earned their high status not by political loyalty, but by their illegal wealth. It included individuals, ranging from state service sector workers to underground manufacturers, who used consumer shortages of the planned economy to their own benefit and grew rich. I argue that urbanization, growth of disposable income and development of mass consumption in that period not only led to the relative well-being of the Soviet society, as is usually suggested, but also created new forms of inequality. I study how this wealth was created, how the new elite coexisted with the old one and finally, what were the attitudes towards

the newly wealthy among officials, experts and broader population. This dissertation traces how Soviet leaders, experts and ordinary people interpreted personal wealth and problematized honest labor and deserved income. It seeks to challenge the existing narrative of the Brezhnev's Soviet Union as the time of cynicism and disbelief in socialism by looking at the ideas about social justice. Drawing on discussions regarding profiteering, retail price policies, or private car ownership, my dissertation explores how people in the 1960s-1980s tried to find the meaning of true socialism.

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Introduction

On August 23, 1981, Anatoly Sivakov, a 53-year old engineer from Leningrad arrived to the small Black Sea coastal town of Kobuleti in Soviet Georgia to spend a vacation. As he would later recall, he was hoping to have some well-deserved rest and enjoy the sun, the beach, and fresh fruits. However, he ended up spending his whole vacation mourning the degradation of Soviet socialism. As he wrote in his complaint to the Central Committee of the Communist Party, sent right after he got back to Leningrad, he was struck and outraged to find out that in Soviet Georgia, there were a lot of young people who "did not work", but still earned huge amounts of money. Some of these people built large houses which they rented out to tourists coming from all over Soviet Union. Others grew in-demand fruits on their private plots of land and sold them to the same tourists at high prices. These people, Sivakov claimed, did not contribute their labor to the socialist cause, but were guided only by their private material gain. However, not only were they not arrested for their illicit economic activity, but they enjoyed their life and did much better economically than honest and industrious Soviet citizens. "How then are we going to ever build communism," Sivakov asked, "when in Kobuleti there is already nothing left even of socialism?"[1]

Anatoly Sivakov was not alone in his concerns. Many Soviet citizens in the 1970s and 1980s from all across the USSR were expressing their anxieties about what they believed to be the undeserved wealth acquired by people providing consumer goods and

[1] Party Archive of Georgia, f. 14, op.120, d. 1351.

services not only in Georgia but everywhere in the Soviet Union.[2] Sivakov's story and many others like it highlight two important interconnected processes that were going on in the late Soviet Union. The first process was socio-economic one. It saw the enrichment of a group of people working in the consumer sector. As disposable income and consumer demand grew rapidly since the 1960s, and the centrally-planned retail and service sectors failed to satisfy it due to shortages, many of those operating on the semi-legal market offering goods and services for high prices gained considerable wealth. The state only reluctantly persecuted these dealers. Although their activity often contradicted both Soviet legislation and socialist principles, the state depended on these dealers to provide consumers with scarce goods and services, obviating the need to carry out major economic reforms. Thus, those involved in underground production, trade, and services amassed great wealth by collecting a huge portion of the money that the populace could not spend in the state retail system.

The other development highlighted by Sivakov's story was the growing resentment felt by many Soviet citizens about the enrichment of those dealers. Underground entrepreneurs saw their own social status change, leading to a larger shift in the social hierarchy of all of Soviet society. This, I argue, was perceived by some as a sign of new opportunities, and a sign of profound moral crisis by others. These "nouveaux riches," as opposed to long-established Soviet upper crust like high party officials as well as cultural and academic elite, were creating a new mass culture based on an opulent lifestyle, which contradicted proclaimed socialist values of modesty, collectivism, and prioritizing spiritual over material concerns. In public discussions of the

[2] It should be noted that Georgia, as well as Central Asian republics, was especially well known for widespread illegal economic activity, see the discussion of it in Chapter 5.

wealth being amassed by underground dealers, people did not emphasize the criminal character of the activity of those dealers, although in most cases these dealers did violate Soviet legislation in one way or another. Instead, they talked about ethics and values.

Historically, the socialist project emphasized the importance of social equality, the priority of the public over private, and the futility of luxury. In the Soviet Union, personal wealth had usually been remuneration from the state for contributing to the common cause and for loyalty to the regime. However, in the late Soviet period, I argue, financial affluence increasingly became the fruit of illegal market activity. Thus, paradoxically, those who engaged in illegal and morally-condemned activity became a veritable Soviet upper class. This social development ushered in a host of existential questions. Did some people have the right to own more than others? If so, who? What kind of work qualified as "decent labor"? Finally, what does ethical consumption under socialism look like, if it exists at all? By looking at how Soviet officials, experts, and ordinary people discussed this evolution of the Soviet social hierarchy, and how they interpreted "honest" labor and "unearned" income, my dissertation explores the ways in which people in the late Soviet Union tried to find the meaning of true socialism.

Contribution to the Field

The study of the phenomenon of the late Soviet "new rich" contributes to the historiography of late socialism in several ways. First, it is usually believed that the only privileged group that existed in the Soviet Union was the so-called *nomenklatura*, consisting of high-ranking state, Communist party, and military officials, as well as

academic and cultural elites, who were rewarded materially for their loyalty and service.[3] I show that in the period from the 1960s to the 1980s there emerged another elite group in the late Soviet Union, one whose members earned their high status not by political loyalty, but by their illegal earnings. They included individuals who grew flowers, fruit, and cattle for sale on their private plots of land, those who offered coveted Western-made shoes and dresses under the table, those who produced modern ceiling lamps in underground workshops, those who rented out rooms on the seashores or those who styled hair in fashionable hair salons charging high prices to their pocket. It also included underground musicians who converted their popularity into money by organizing illegal or semi-legal concerts.[4] Many people who engaged in these activities rose to prominent financial positions in the 1970s thanks to their access to resources and skills and to high consumer demand. This new elite did not replace the old one (*nomenklatura*), but rather coexisted alongside and sometimes merged with it, as the "new rich" had to bribe the "old rich" in order not be arrested for their illicit economic activity.[5] Thus, my work highlights the emergence of "new wealth" and a shift in the class structure of the late

[3] This framework was first articulated by Leon Trotsky, *The Revolution Betrayed* (New York, 1937), and had been popular in the historiography, especially after the famous book by Mikhail Voslensky, first written in Russian in 1970 and then published in English in 1984 (Mikhail Voslenskii, *Nomenklatura: The Soviet Ruling Class* (New York, 1984). See also, Mervyn Matthews, *Privilege in the Soviet Union* (London, 1978). This view has not been challenged much since. See discussion of the literature on Soviet inequality below.

[4] Anna Kan, "Living in the Material World: Money in the Soviet Rock Underground" in *Dropping Out of Socialism: The Creation of Alternative Spheres in the Soviet Bloc*. ed. Juliane Fürst and Josie McLellan (Rowman & Littlefield, 2016): 255-276; Sergei I. Zhuk, *Rock and Roll in the Rocket City: The West, Identity, and Ideology in Soviet Dniepropetrovsk, 1960-1985* (Baltimore, 2017).

[5] The existence of these profiteers led to the illegal enrichment of some of the officials as well (law enforcement; party and state functionaries etc) who were given bribes to make them turn a blind eye on the illegal activities of the profiteers. See more in Konstantin Simis, *Corrupt Society: The Secret World of Soviet Capitalism* (New York, 1982); William A. Clark, *Crime and Punishment in Soviet Officialdom: Combating Corruption in the Political Elite, 1965-1990* (New York, 1993); Luc Duhamel, *The KGB Campaign against Corruption in Moscow, 1982-1987* (Pittsburgh, 2010); Yoram Gorlizki, "Scandal in Riazan: Networks of Trust and the Social Dynamics of Deception," *Kritika* 14, no. 2 (Spring 2013): 243-278.

USSR. It also allows us to question the belief that veritable economic inequality, generated by market relations, emerged only in the late 1980s after economic reforms ushered in during Gorbachev's *perestroika*, which legalized private entrepreneurship, and ballooned after the fall of the Soviet Union.[6] My dissertation asks if we can consider newly wealthy Soviet underground dealers as forerunners of Perestroika-era and early post-Soviet entrepreneurs, as far as their role in society and people's attitudes towards them are concerned. I argue that indignation over the lavish lifestyles of the new elite, a defining feature for *Perestroika*, with its so-called "cooperators," and for the post-Soviet period, with its "New Russians," has roots in the 1970s. [7]

Second, my study aims to expand the existing scholarship of the "second economy" in the Soviet Union. Scholars have studied the phenomenon of illegal economic activity since the 1970s, usually from political, economic, and legal perspectives.[8] They have explored how the shadow economy undermined the Soviet political regime, how its existence revealed the inefficiency of the planned economy, and how economic crimes were persecuted. This literature usually asserts that there was widespread acceptance of illegal economic practices by the population because the latter

[6] Michael Burawoy and Katherine Verdery, *Uncertain Transition: Ethnographies of Change in the Postsocialist World* (Lanham, MD, 1999); Caroline Humphrey, *The Unmaking of Soviet Life: Everyday Economies after Socialism* (Ithaca, 2002); Nancy Ries, *Russian Talk: Culture and Conversation during Perestroika* (Ithaca, 1997).

[7] In his article about the post-Soviet phenomenon of "New Russians" as a cultural myth, a literary critic Mark Lipovetsky claims that a Soviet play "Look who is here" from 1981 on the wealthy Soviet service workers (which I analyze in Chapter 5) was actually about the "New Russians", "which suggests, – Lipovetsky claimes, – that "New Russians" existed within late Soviet culture": Mark Lipovetsky, "New Russians as a Cultural Myth," *The Russian Review*, 62, No. 1 (2003): 60.

[8] Aron Katsenelinboigen, "Coloured Markets in the Soviet Union," *Soviet Studies*, vol. 29, no. I (1977): 62-85; Nick Lampert, "Law and Order in the USSR: The Case of Economic and Official Crime," *Soviet Studies* 36, no. 3 (July 1984): 366–385; Gregory Grossman, Vladimir G. Treml, and Nikolai Malyshev, *The Second Economy in the USSR and Eastern Europe: a Bibliography*. (Durham NC, 1985). A more recent example: James Heinzen, "Soviet Entrepreneurs in the Late Socialist Shadow Economy: The Case of the Kyrgyz Affair," *Slavic Review* 79, no. 3 (2020): 544-565.

compensated for the drawbacks and shortages of the official economy. I take a different perspective, revisiting these Soviet "entrepreneurs" from a social point of view to ask what their lifestyle entailed, how they coexisted with the "old" elite, how the rest of the population perceived them, and what moral influence their enrichment might have had on Soviet society. I argue that a general consensus about the forced necessity of a shadow economy did not prevent people from perceiving its existence as a moral problem.

Finally, the study of the late Soviet "new rich" offers a more nuanced picture of the relationship between people and socialist ideology in the late Soviet period. This era is usually analyzed through two prisms. The traditional prism is that of political, economic and ideological stagnation: a story of economics slowing down, the political leadership growing old and apathetic, and the population ceasing to believe in socialist ideology. A newer prism stresses the vibrancy of this era, including growing material wellbeing and an emerging consumer society, when the consumer sector became a state priority and the population was able to satisfy its basic consumer needs and finally enjoy a relative degree of prosperity.[9] However, the question of popular belief in socialist principles has never been properly reconsidered.[10] I ask: what influence did growing consumerism and its consequences have on popular values and beliefs? While the emergence of a consumer society contributed to citizens' positive assessment of the time, I argue that it also brought about an ethical dilemma. My dissertation thus challenges the existing narrative of the late Soviet Union as the time of cynicism and disbelief in socialism. The enrichment of dealers and the conspicuous consumption they engaged in

[9] On the discussion of different prisms for the interpretation of the Brezhnev period, see Dina Fainberg, Artemy M. Kalinovsky, eds., *Reconsidering Stagnation in the Brezhnev Era: Ideology and Exchange.* (Lexington, 2016), introduction.

[10] See discussion of the famous Alexey Yurchak's book on late Soviet ideology below.

created a sense of unease among various groups of Soviet citizens. For many it was a sign of major change in societal values, which provoked discussions about the true meaning of socialism.

Material Inequality in the USSR

Since the Soviet state was built around Marxist, i.e. economic, ideas, questions concerning material inequality were always at the center of the state ideology. In early Soviet Russia, the Bolsheviks proclaimed the struggle for an egalitarian society and against "petty-bourgeois" values and "philistinism" as major goals of the new society.[11] They condemned the lavish lifestyles of pre-revolutionary elites, mocked excessive interest in material possessions, and promoted collective values over individual ones. For example, after 1917, the Bolshevik government nationalized large apartments owned by members of the pre-revolutionary elite and divided apartment rooms among people most in need.[12] Even with the temporary introduction of legal private enterprise during the NEP period in the 1920s, Nepmen, or wealthy individuals who got rich through newly-permitted private business dealings, were mocked in the press[13].

During the Stalin years, however, material values underwent a partial rehabilitation. Stalin famously argued against egalitarianism (*uravnilovka*) and material

[11] Christina Kiaer and Eric Naiman, eds., *Everyday Life in Early Soviet Russia* (Bloomington, 2006). Svetlana Boym, *Common Places*: *Mythologies of Everyday Life in Russia* (Harvard University Press, 1994), chapter 1. For the pre-history of the struggle against "philistinism" in Russian culture see Timo Vihavainen, *The Inner Adversary: The Struggle against Philistinism as the Moral Mission of the Russian Intelligentsia* (New Academia Pub LLC, 2006).

[12] Richard Stites, *Revolutionary Dreams: Utopian Vision and Experimental Life in the Russian Revolution.* (Oxford, 1988), chapter 6.

[13] Alan Ball, *Russia's Last Capitalists: the Nepmen, 1921-1929* (Univ of California Press, 1990).

incentives were broadly used for increasing labor productivity. Material well-being came to be seen as a natural need for those who deserved it; even the production of luxuries began to be encouraged.[14] The high living standards, however, were available only to the privileged few, while the majority of the population still lived in poverty. People could access material comforts and climb the social ladder either by securing high positions within the party, government, or military, or because of their cultural or economic contribution to the socialist cause, as writers, scientists, and Stakhanovites. [15] Those who lived better than others were also technical specialists and factory managers, members of a social layer created by Stalin in the 1930s in the time of industrialization that saw the rise of new factories and a demand for professional workers to fill them.[16] As a reward for their loyalty and contribution to the communist cause, all these groups received high wages and access to some high-quality facilities such as housing, closed-access stores, and resorts. Apart from the elites, according to Elena Osokina, material inequality was built around the principle of "industrial pragmatism": those who were closer to large industrial production projects earned the right to earn more and to buy more consumer goods and food than others.[17] During the late 1940s, material inequality increased even

[14] Vera Dunham, *In Stalin's Time: Middleclass Values in Soviet Fiction* (Duke University Press, 1990); Jukka Gronow*, Caviar with Champagne: Common Luxury and the Ideals of the Good Life in Stalin's Russia* (Oxford, 2003).

[15] On academic elite: Benjamin Tromly, *Making the Soviet Intelligentsia: Universities and Intellectual Life under Stalin and Khrushchev* (Cambridge University Press, 2013); Nikolai Krementsov, *Stalinist Science*. (Princeton University Press, 1996,): 95-128. On cultural elite, see: Kiril Tomoff, *Creative Union: The Professional Organization of Soviet Composers, 1939–1953* (Ithaca, NY, 2007), chapters 8-10; Maria Zezina, *Sovetskaia khoudozhestvennaia intelligentsia i vlast' v 1950-e—60-e gody* (Moscow: Dialog-MGU, 1999): 54-69. On Stakhanovites: Lewis Siegelbaum, *Stakhanovism and the Politics of Productivity in the USSR, 1935–1941* (Cambridge, 1988): 226–31; On engineers: Dunham, *In Stalin's Time.*

[16] Donald Filtzer, "Privilege and Inequality in Communist Society," in *Oxford Handbook*, ed. S.A. Smith (Oxford, 2014): 506-522; Dunham, *In Stalin's Time.*

[17] Elena Osokina, *Our Daily Bread: Socialist Distribution And The Art Of Survival In Stalin's Russia, 1927-1941* (ME Sharpe, 2000). Other types of inequality included geographical inequality, in which cities were better off than villages, big cities better off than small cities, capitals and industrial cities better off than

further after the state raised salaries and expanded the variety of non-monetary privileges available to the elites mentioned above.

Under Khrushchev, an attempt was made to distribute resources more fairly. The reforms of the late 1950s and early 1960s decreased the salaries of higher-ups (they became only two to four times higher than the average salary, while in the 1940s, elite salaries could rise to as much as 72 times the average). This was alsothe period when the Soviet Union's famed social security system came into being, and when the level of material inequality in the country drastically decreased. The Khrushchev Thaw, with its restoration of Leninist norms and revolutionary ideals, also intensified the struggle against "money-grabbing," and modesty and rationality became the main slogans for citizens' relationships with the consumer world.[18]

During the Brezhnev period, the state's commitment to guaranteeing popular material consumption became even more pronounced. By that time, state production of consumer goods such as refrigerators, TV sets and washing machines reached its peak. It was during this period that the government singled out meeting the material needs of the population as one of its major goals, marking the first time in Soviet history that consumer good production was prioritized over heavy industry.[19] The basic needs of the Soviet population had been satisfied and people began to consume non-essential goods,

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other big cities. There were also gender and nationality inequalities. See more: Filtzer, "Privilege and Inequality in Communist Society", 506-22.

[18] Susan E. Reid, David Crowley, eds., *Style and Socialism: Modernity and Material Culture in Post-War Eastern Europe* (Oxford: Berg, 2000). A call to fight against "money-grabbing" was included in the "Moral Code of the Builder of Communism", as a part of the new Party Program adopted in 1961 (see Chapter 1).

[19] This time period was also a "golden age" of mass consumption all over the world: See, for example, Lizabeth Cohen, *A Consumers' Republic* (New York: Knopf, 2003); Susan Strasser, Charles McGovern, and Matthias Judt, eds., *Getting and Spending: European and American Consumer Societies in the Twentieth Century* (Cambridge University Press, 1998). Karl Gerth, *Unending Capitalism: How Consumerism Negated China's Communist Revolution* (Cambridge University Press, 2020); Patricia Maclachlan, *Consumer Politics in Postwar Japan* (Columbia University Press, 2001).

such as household appliances, fashionable clothes, and personal cars, in big ways. Wage increases underwrote this rise in consumption. Wages had been steadily growing in the Soviet Union since the 1960s: between 1961 and 1990, the average wage grew from 81 rubles to 240 rubles per month. Social welfare was also expanding, offering new cash benefits for families with low incomes and increases in pension sizes.[20] All this led to growing disposable incomes across various social groups. Moreover, society was rapidly urbanizing, and Western influences were spreading due to an expansion in tourism, the popularity of Western movies, and officially-sanctioned foreign imports (especially after an increase in oil exports in the early 1970s led to a rise in government revenue). With urbanization and westernization, as well as an increase in available leisure time, people's desires were becoming more sophisticated: from buying more consumer goods, to eating out at restaurants, to investing in their physical appearances . The state itself promoted sophisticated consumption by expanding individual housing, developing the production of household items and personal cars, and organizing fashion shows, among other initiatives. In other words, more and more people who already had their basic needs satisfied began to consume in a more elaborate way.

However, centralized production and distribution was too slow and inflexible to fully meet consumer demand. It proved especially unfit for meeting new demand for non-essential goods, such as blue-jeans or VCRs, and services such as hotels, auto-repair shops, and hair-salons. Moreover, state-mandated wages grew faster than productivity. In a capitalist setting, this dynamic would have led to an increase in retail prices, but in the

[20] Alastair McAuley, *Economic Welfare in the Soviet Union: Poverty, Living Standards, and Inequality* (Madison: University of Wisconsin Press, 1979), chapters 4 and 11.

Soviet Union, stable retail prices was proclaimed as a cornerstone of the economy.[21] Prices were centrally set by the government, and were not supposed to reflect the whims of supply and demand, but rather the input of labor and raw materials plus taxes.[22] Price stability, combined with an inflexible centralized system of production and distribution, led to a situation where people earned more and more money as the government raised wages but lacked the ability to put their higher earnings towards consumer goods because of shortages, which were a result of low, state-mandated prices. In the end, people who had access to coveted goods and services or produced and imported them privately sold them under the table for higher prices and pocketed the excess cash. At the same time, the enforcement of laws against this illicit economic activity decreased. As a result, this group became especially prominent, nearly lost its former criminal connotations, and eventually evolved into a new kind of Soviet elite. I thus argue that there emerged a new type of inequality in this time period.

Old elites, especially in the 1930-1950s, as I showed above, secured wealth by pledging loyalty to the state. Their material privileges were often kept from the public and were not to be boasted about.[23] Members of the Party elite usually hid their material privileges by shopping in windowless, closed-access stores and vacationing in special sanatoria. Moreover, for some of the privileged few, their apartments and cars were not

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[21] Galina M. Ivanova, "March and September 1965 Communist Party Plenums and the 1971 Communist Party Congress," in *Na poroge "gosudarstva vseobshchego blagososto*ianiia": Sotsial'naia politika v SSSR (seredina 1950-kh—nachalo 1970-kh godov)* (Moscow, 2011): 162.

[22] According to Soviet economic theory, this system would result in a more "honest" price and would thus contribute to the well-being of the whole population. The mechanism implied that in the future as the efficiency of production grew, the goods would become cheaper and cheaper, thus rendering them affordable to a greater number of people. Stability of prices and their eventual lowering was to become the key to the constant growth of the Soviet people's material well-being. See, for example, a report of the State Committee for Prices: RGAE. f. 437. op.5. d.713.

[23] Sheila Fitzpatrick, "Becoming Cultured: Socialist Realism and the Representation of Privilege and Taste (1988/1991)," in *The Cultural Front* ed. Sheila Fitzpatrick (Cambridge University Press, 1992): 230-31.

their private property, but were allocated to them temporarily by the state. What made the new "consumer sector" elite different was their ostentatiously lavish lifestyle. They received their possessions not as a reward from the state but through cash and service to consumers, which allowed them to flaunt their material possessions. Different sources, from sociological studies to personal diaries, show that individuals from the underground economy became a new elite in big Soviet cities. These people possessed goods that were markers of material wellbeing: apartments and summer houses, cars and advanced appliances, and fancy imported clothes. Most ordinary Soviet people by the late 1960s were earning enough to meet their basic needs. However, any extra spending normally required people to save or borrow money. Also, the state distributed some material wealth, such as housing, for free for those who needed it, although one had to wait for a few years to get one. In this way, the lifestyles of the new elite was extravagant by Soviet standards of the time: they were vacationing on luxurious resorts, eating out in fancy restaurants, wearing furs and jewelry. Their consumption was not only material but also cultural: they bought access to performances in the country's best theatres, put their children in colleges and universities for bribes, bought rare books on the black market, and decorated their dwellings with art. My dissertation thus explores the process by which underground dealers in the Soviet Union enriched themselves, the shift in class structure this enrichment caused, and how the broader Soviet population perceived this shift.

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My research thus contributes to the recent emerging field of consumption under socialism. Traditionally, scholars have argued that because the production of goods in socialist states was centralized, shortages were endemic, and governments neglected popular consumer demand, socialist citizens did not qualify as "real" consumers. Recent scholarship, however, has applied the category of consumer culture to the state-planned economic environment. During the last twenty years, scholars have shown that beginning in the 1960s, consumers in socialist countries behaved in ways not so different from their counterparts in the capitalist world: they were interested in new fashion trends and conspicuous consumption bought, new items not only when old ones stopped working, but also when they became outdated and undesirable.[24] Yet even this literature tends to treat Soviet society as a monolith, as a single growing consumer society. My contribution to this body of literature is twofold. First, I trace how consumer demand (and the failure to satisfy it through the official retail system) created new forms of inequality by giving underground dealers an opportunity to enrich themselves. Second, I study how consumption performed by underground dealers differed from the kind of consumption that the rest of the population enjoyed.

My research also contributes to the understanding of the role of money under state socialism. Since money was meant to exist only as a temporary means of exchange

[24] Susan Reid, "Cold War in the Kitchen: Gender and the De-Stalinization of Consumer Taste in the Soviet Union under Khrushchev," *Slavic Review* 61.2 (2002): 211-252; Paulina Bren and Mary Neuburger, eds. *Communism Unwrapped: Consumption in Cold War Eastern Europe* (Oxford University Press, 2012); Natalya Chernyshova, *Soviet Consumer Culture in the Brezhnev Era* (Routledge, 2013); Ina Merkel, "Consumer Culture in the GDR, or How the Struggle for Antimodernity Was Lost on the Battleground of Consumer Culture," in *Getting and Spending: European and American Consumer Societies in the Twentieth Century:* 281-301; Cristofer Scarboro, Diana Mincyte, and Zsuzsa Gille, eds. *The Socialist Good Life: Desire, Development, and Standards of Living in Eastern Europe* (Indiana University Press, 2020).

before the arrival of communism, its role in Soviet ideology was always ambiguous. On the one hand, money was an official reward for labor. On the other hand, excessive interest in money or earning too much of it was deemed ideologically suspicious. A long-standing trend in Soviet historiography asserts that money did not matter in the Soviet Union. According to this thinking, in the planned economy with its constant and widespread shortages, the issue was not having money to buy goods, but having access to goods at cheap official prices, either through privilege (as with the *nomenklatura*) or through so-called "*blat,*" personal networks and connections.[25]

My dissertation explores what difference substantial monetary earnings, especially illegal ones, made in late Soviet society. I argue that the new underground elite challenged and complicated the system of *blat*. These dealers violated the system of state distribution not through connections but through cash. It can be illustrated with an example of cars sales. In the Soviet Union there were not enough cars on sale for everybody who wanted to buy them. So cars were usually distributed through people's places of work according to various criteria, such as the importance of the industry branch in which a person worked or his or her own achievements. Cars were also distributed as social benefits (for disabled people or families with multiple children). There were also privileges given to political, cultural, and academic elites, who could buy a car on a priority basis. Finally, there was a system of *blat* in which one could receive an opportunity to buy a car through personal connections. The new class of underground

[25] Alena Ledeneva, *Russia's Economy of Favours: Blat, Networking and Informal Exchange* (Cambridge University Press, 1998). An exception from this trend is Kristy Ironside, *A Full-Value Ruble: The Promise of Prosperity in the Postwar Soviet Union* (Harvard University Press, 2021). Ironside looks at the period between two Soviet monetary reforms of 1947 and 1961 and explores the relations between the state and the population in the sphere of money circulation on examples of policies regarding wages, taxes, pensions, and prices.

dealers, in contrast, was able to enter the system of centralized distribution through money. Underground dealers acquired cars either by bribing officials to add their names near the top of long waiting lists or purchasing used cars on the black market, where people who received a car through official channels resold them for inflated prices. Similarly, money could have given direct access to rooms in luxury hotels for foreigners, free apartments from the state, and many other coveted commodities. Thus, money, to some extent, replaced *blat* connections. Traditional inequality staffed by state, party, scientific, and cultural elites continued to exist but was supplemented by inequality created by this illegal market. This, in turn, created new values and ideas about individual social worth, where those who managed to accumulate large amounts of money became role models that many, especially the youth, hoped to emulate.[26] (see more below)

Private Enterprise and Underground Economy

Private economic activity had been problematic in the Soviet Union since its very founding, as it was seen as a way to juxtapose oneself to the collective for private gain.[27] Private profit-making was tolerated during the 1920s, but even then the state encouraged peasants, artisans, and tradesmen to join cooperatives to become part of a larger labor collective, thereby obviating the need to work for oneself. In the late 1920s and early

[26] The growing importance of money in the 1970s was also briefly mentioned in: Victor Zaslavsky, "Socioeconomic inequality and changes in Soviet Ideology," *Theory and Society* 9, no. 2 (1980): 383-407; Konstantin Simis, *USSR — the Corrupt Society: The Secret World of Soviet Capitalism* (New York, 1982); Vladimir Shlapentokh, *Public and Private Life of the Soviet People* (Oxford University Press, USA, 1989), chapter 10; David Willis, *Klass: How Russians Really Live* (New York: St.Martin's Press, 1985).

[27]Richard Stites, *Revolutionary Dreams: Utopian Vision and Experimental Life in the Russian Revolution* (Oxford, 1988), chapter 6. More on collectivism: Andy Willimott, *Living the Revolution: Urban Communes and Soviet Socialism, 1917-1932* (Oxford University Press, 2017).

1930s, the state gradually replaced cooperatives with nationalized enterprises in the cities and collective farms in the villages. Meanwhile, private tradesmen were replaced by state-run retail trade. Beginning in 1936, the state deemed all non-cooperative economic activity to be a criminal offense. Producing and trading cooperatives remained legal but were taxed at a very high rate. Cooperatives were also always under suspicion and its members regularly arrested.[28] The Bolshevik Revolution also problematized the very notion of decent labor. What was considered to be "true work" and had to be materially rewarded changed. For example, mediation, such as buying and reselling a commodity for a higher price, was rebranded as profiteering and deemed a criminal offense. During the Second World War, many people again got involved in private production and trade, something which the government tolerated because it helped dull the crises of the state supplying system. The relative freedom of the private market remained in place even after the war, but was then banned once again in 1948. When Nikita Khrushchev came to power in the mid-1950s, he launched a new, and in some sense harsher, campaign against private enterprise and what he called "private property tendencies," which he saw as remnants of capitalism. Cooperatives were banned altogether and their members forced to join state enterprises. Thousands of people were arrested and hundreds executed for various kinds of illicit private economic activity.[29]

[28] Julie Hessler, "A Postwar Perestroika? Toward a History of Private Enterprise in the USSR," *Slavic Review* 57, no. 3 (Autumn, 1998): 516-542.

[29] Evgeniia Evelson, *Sudebnye protsessy po ekonomicheskim delam v SSSR: shestidesiatye gody* (Overseas Publications Interchange Ltd., 1986); Heinzen, "Soviet Entrepreneurs in the Late Socialist Shadow Economy,": 544-565; Gennady V. Kostyrchenko, *Taiinaia politika Khrushcheva. Vlast', intelligentsia, evreiiskii vopros* (Moscow, 2012).

Even when production and trade became nationalized, people who worked there still tried to extract private gain..[30] Illegal activities performed by state trade and service workers allowed consumers to circumvent shortages, and earned those who took risks to do so handsome profits.[31] The state took this activity rather seriously: a special unit for the fight against economic crime, OBKhSS (Department Against Misappropriation of Socialist Property), was created inside the NKVD in 1937 (and became part of the Ministry of Interior Affairs in 1947).[32] Nikita Khrushchev's campaign against private enterprise, mentioned above, explicitly targeted those who worked in the state production and retail sectors and turned their jobs into opportunities for individual material gain. In 1961, several economic crimes--such as theft of the socialist property on an especially large scale, violation of rules concerning hard currency, and corruption on an especially large scale--became death penalty eligible. Before, only crimes such as treason or murder were punishable by capital punishment.

In the early 1960s, as Diane Koenker shows, sales assistants enjoyed a rather low status in the society: they were perceived as low paid, uneducated people, mainly women, from the countryside. They had a reputation for regularly cheating customers not on a large scale, mostly short-weighting and short-changing. Work in trade was widely stigmatized as a career. [33] If service and trade workers did engage in a large-scale

[30] Julie Hessler, *A Social History Of Soviet Trade: Trade Policy, Retail Practices, And Consumption, 1917-1953* (Princeton University Press, 2004): 310-311.

[31] Sheila Fitzpatrick, *Everyday Stalinism: Ordinary Life In Extraordinary Times: Soviet Russia In The 1930s* (Oxford University Press, USA, 2000); Osokina, *Our Daily Bread*.

[32] Juliette Cadiot, *La société des voleurs. Propriété et socialisme sous Staline* (EHESS, 2021).

[33] Diane Koenker, "The Smile behind the Sales Counter: Soviet Shop Assistants on the Road to Full Communism," *Journal of Social History* (2020): 1-25. The wages of the service workers in the Soviet Union were historically low because production was privileged over service and service workers were believed to not be producing any "additional wealth".

embezzlement and underground production, they were perceived as criminals. However, the status of people from trade began to change in the late 1960s. This happened for a number of reasons. First, the state ceased enforcing laws against illicit economic activity as intensely as it did during the 1950s and early 60s.[34] Second, consumer demand grew rapidly, which made illegal market larger. Third, state production and importation of consumer goods grew significantly, with the great portion of it going to the black market due to artificially low state-fixed prices, as shown above. Prices for consumer goods in the state retail under Stalin, for example, were rather high, rendering underground trade not as profitable. Beginning in the mid-1960s, state-mandated prices declined, thus making black market more affordable.[35] Finally, previously prestigious lines of work, like engineering, became less appealing with the decline of the Soviet industrialization project. Training for occupations like these did not produce as many job opportunities as they once did, thereby making professions in trade and services more appealing.[36]

There was one sphere where private production and free trade, even if with some restrictions of scale, was allowed throughout the Soviet period, and this was agriculture. Private individuals who grew produce and kept livestock on their private plots of land had the right to sell them on the so-called collective farm markets for market-based prices. A kind of legal oasis for capitalism which existed inside state socialism since the 1930s, this practice developed further and gained full government support during the late

[34] Gilles Favarel-Garrigues, *Policing Economic Crime in Russia: from Soviet Planned Economy to Privatization* (London, 2011); Charles A. Schwartz, "Economic Crime in the USSR: a Comparison of the Khrushchev and Brezhnev Eras," *The International and Comparative Law Quarterly* 30 no. 2 (1981): 281-296.

[35] On prices under Stalin: Julie Hessler, *A Social History Of Soviet Trade*; Ironside, *A Full-Value Ruble*.

[36] On the decline of higher education's prestige in the 1970s: F. Filippov, "Vseobshchee srednee obrazovanie kak faktor sotsialnogo sblizhenia goroda i derevni," *Sotsiologicheskie issledovaniya*, no. 3 (1976).

Brezhnev years, when because of an ongoing crisis in state food production, the state lent even more legal and administrative support to it. It allowed some people to acquire wealth by growing and selling their produce on a large scale and challenged government's declared priority to fight private profitmaking.

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As mentioned above, scholars have been studying the phenomenon of illegal economic activity in the Soviet Union since the 1970s. One of their main arguments of this literature stressed how the Soviet planned economy failed and how the "second economy", or the illegal and semi-legal marketplace, compensated for the drawbacks of the "first economy."[37] In this view, the rise of the underground market represented Soviet consumerism's "victory" over the socialist system, while the drive to consume, which led people to engage in black market activities, represented a wholesale abandonment of socialist ideology. I argue instead that participation in the black market did not automatically entail support for a market system and a rejection of socialist ideas.[38] Many ordinary people and culture figures in their popular works resented both the corruption of the planned economy and the "greed" of the underground dealers, and used socialist categories when they spoke of high black market prices and conspicuous consumption. [39]

[37] Gregory Grossman, "The "Second Economy" of the USSR," *Problems of Communism*. Sept.–Oct. (1977): 25-40; James Millar, "The Little Deal: Brezhnev's Contribution to Acquisitive Socialism," *Slavic Review* 44 no. 4 (1985): 694-706; Simis, *Corrupt Society.*

[38] Here I am also inspired by sociological approach, developed by scholars such as Viviana Zelizer, who studies the market as a cultural phenomenon (Viviana Zelizer, *The Social Meaning of Money*. (Princeton University Press, 1997)). This approach suggests that the market has always been understood by ordinary people in moral and not only economic terms. See also: Marion Fourcade and Kieran Healy, "Moral Views of Market Society," *Sociology*, 33 no.1 (2007): 285-311.

[39] Talking about people's attitudes towards black market it is important to mention Jeff Sahadeo's research on underground dealers in late Soviet Moscow and Leningrad who were migrants from Central Asia.

Attitudes towards the Wealthy and Ideology.

Underground dealer wealth was both appealing and problematic for the rest of the population. For some, especially the youth, watching these dealers become rich changed their ideas about occupational prestige. Soviet sociological research from the time showed that by the end of the 1970s, young people dreamed about working in service sector jobs like in retail or auto repair rather than in traditionally prestigious professions, such as engineering or science. They competed intensely for spots in technical colleges and professional schools as traditionally prestigious professions lost their appeal[40].

However, a more common reaction, especially among members of the older generation, was that of indignation. We can see this, for example, in the flow of letters citizens sent to newspaper editors and state bodies.[41] These letters reveal how people across the USSR worried about the changes taking place in the social hierarchy of Soviet

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Sahadeo studies attitudes towards them among their clients and shows a degree of resentment on ethnic terms: Jeff Sahadeo, *Voices from the Soviet Edge: Southern Migrants in Leningrad and Moscow* (Ithaca, 2019), chapter 6.

[40] See for example, V. G. Nemirovskii, "Obraz zhelaemogo budushchego kak faktor formirovaniia sotsial'no-professional'noi orientatsii podrostkov," *Sotsiologicheskie issledovaniia*, no. 2 (1984): 85-89; Natalya Chernyshova, *Soviet Consumer Culture in the Brezhnev Era* (Routledge, 2013): 85-86; Shlapentokh, *Public and Private Life of the Soviet People*: 80, 225. On traditionally prestigious professions, see Alex Inkeles and Raymond Bauer, *The Soviet Citizen: Daily Life in a Totalitarian Society* (Cambridge, MA: Harvard University Press, 1961).

[41] Letter-writing to the press and to the state bodies was a widespread genre in the Soviet Union since 1920s: Sheila Fitzpatrick, "Supplicants and citizens: Public letter-writing in Soviet Russia in the 1930s," *Slavic Review* 55, no. 1 (1996): 78-105. In the late 1970s the total number of letters to all Soviet central newspapers taken together amounted to between 60 and 70 million a year (Jim Riordan, *Dear Comrade Editor: Readers' Letters to the Soviet Press under Perestroika* (Indiana University Press, 1992): 2) In a survey conducted by Soviet sociologists in the city of Taganrog in early 1970s, about 60% of respondents reported they had at least once communicated their concerns to the state bodies: Boris Grushin, *Chetyre zhizni Rossii v zerkale oprosov obschestvennogo mnenia. Epokha Brezhneva. Part 2*. (Progress-Traditsya, 2001): 611-693.

society during the 1970s. [42] For these people, the luxurious lifestyles pursued by underground dealers was a sign of a major shift in societal values. The main sin of the new elite was that they were making the display of wealth a new norm.

This resentment could also be felt in the popular culture of the time. People from trade who grew rich thanks to the opportunities that their jobs provided them had always been targets of mockery and condemnation in Soviet films. However, by the end of the 1970s, service workers became the main protagonists of movies.[43] The main goal of these movies was to mock consumerism and expose the moral deficiency of materialistic values. However, it is telling that they singled out service sector workers as the main representatives of this lavish lifestyles. I study sources such as movies and novels shot and published in the 1970s not as products of state propaganda or as cynical attempts by the authors to meet the ideological demands of the authorities. Instead, I trace how the authors expressed their own anxieties through their work.

Early in the Soviet Union's history, the majority of the population accepted the fact that there were some groups - such as political or cultural elites - which lived better than others because their material comfort appeared legitimate in people's eyes. First, some people felt that because their wealth was given to the elites by the state, it meant that they deserved it. Second, this wealth was seen as legitimate because the elites did not flaunt it. Third, enrichment was not their primary goal.[44] In contrast, the new

[42] It should be noted that when we analyze people's letters to state bodies and to the press, we do not know how representative these letters were (who wrote and who did not and what were the criteria of keeping letters in the archives). However, we can see that anxieties from the letters were also present in the diaries of the time as well as in popular culture.

[43] See chapter 5.

[44] There was, of course, resentment against political elites too, even under Stalin. However, the accusations were mainly based on the political and moral and not so much on economic grounds. As Sarah Davis has shown, accusations of using cars with chauffeurs and not contributing enough labor were rarer than those of

underground elite, in people's eyes, did not earn their wealth properly. They believed that their job was indecent, did not entail a sufficient amount of labor, and was driven by greed and ostentation. They frowned upon them for getting rich at the expense of people charging them high prices for their goods and services. People tried to defend basic socialist principles by criticizing free market prices, by juxtaposing the amount of labor with profit, and by problematizing material inequality in general. While the late Soviet government became mainly interested in solving economic crises, ordinary citizens tried to defend socialist principles of production, trade and distribution.

In this sense, I disagree with Alexey Yurchak, who has suggested that the use of socialist language by people in the late Soviet Union carried a purely ritualistic meaning.[45] According to him, late Soviet ideology was not at all related to people's everyday practices. I argue instead that people perceived economic practices in ideological terms. Thus, the meaning of socialist rhetoric as it pertained to labor and consumption was crucial for citizens in coping with new social realities like the emergence of the newly rich and a change in evaluation of people's worth.[46]

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not giving people any political rights and not caring enough about them: Sarah Davies, "'Us against Them': Social Identity in Soviet Russia, 1934-41," *The Russian Review* 56, no. 1 (1997): 70–89.

[45] Alexei Yurchak, *Everything Was Forever, Until It Was No More: The Last Soviet Generation*. (Princeton University Press, 2013).

[46] Yurchak's different interpretation might be explained by the fact that he focused his analysis on different generation. In his book he mostly explores the youth, i.e. people who came of age between the 1970s and the mid-1980s (although he makes generalizations on the post-Stalin period in general as well). My analysis also shows that many representatives of late Soviet youth were enthusiastic about the social change I describe, were seeking jobs in trade and services and used socialist rhetoric less Although not all of them, as I show in Chapter 7. Juliane Fürst in her book on Soviet hippies interestingly argues that "commercialization, commodification, and societal stratification provided the motivational background [for hippies' protest] not only in the capitalist but also in the socialist world". Juliane Fürst, *Flowers Through Concrete: Explorations in Soviet Hippieland*. (Oxford University Press, USA, 2020): 19.

To some extent, my approach is inspired by the study of Soviet subjectivity, pioneered by scholars such as Jochen Hellbeck.[47] Based on diaries, letters, and autobiographies, this approach explores how individuals internalized ideological language in the Stalinist period. Inititally, the totalitarian academic approach suggested that the main characteristic of the relationship between the Soviet state and its citizens was coercion, and thus ideology was only a tool of this coercion. The revisionist school challenged this point of view arguing that the Soviet citizens were not just suppressed victims of the totalitarian state, but rather active historical actors with their own interests who not infrequently used the state for their own benefit. This view gave Soviet people their agency back, while neglecting ideology altogether. In this sense, the literature on the "second economy" mentioned above fits into the revisionist school. The subjectivist school, however, suggested keeping the agency to the Soviet citizens, but bringing ideology back into the picture. It posed the question of what people really thought of Soviet ideology and how they interacted with the socialist language. My study argues that the ambivalent attitude that many people adopted towards enrichment through the black market in the late Soviet Union was not mere propaganda, but was rather something shared by at least some part of the population. Ideology, rather, gave people the optics and tools to interpret social changes. The emergence of underground entrepreneurs who became rich by addressing the shortages of the planned economy in the period from the 1960s to the 1980s was perceived by many ordinary people as a moral problem, a view they expressed using socialist language. I thus argue that this language was not imposed from above, but was the result of an interplay between officials, experts, cultural figures

[47] Jochen Hellbeck, *Revolution On My Mind: Writing A Diary Under Stalin*. (Harvard UP, 2009).

(such as writers and film directors), as well as ordinary people as expressions of their anxieties. [48]

Many argue that socialism in the Soviet Union was discredited enough by the beginning of Mikhail Gorbachev's reforms and the reforms themselves (unintentionally) discredited it completely. However, I argue that, although Soviet slogans may not have been believed anymore, core Soviet ideas about social justice not only survived but even gained popularity during Perestroika. As a result of economic reforms, such as the law on cooperatives, which legalized private enterprise and increased material inequality described above even further, many Soviet people gave perhaps even more credit to socialism than before. People might have agreed that late Soviet stagnation was disastrous and that official slogans lacked meaning, but it did not necessarily mean that they wanted free market reform and were not loyal to socialist principles. To the contrary, many people remained suspicious of the capitalist free market because of the inequality quasi-capitalist black market had produced. Thus, this resentment towards material inequality and dramatic displays of wealth became even more relevant and widely shared during Perestroika and later, after the collapse of the Soviet Union. However, as my research shows, it might be helpful to see the origins of this discussion in the Soviet period, long before Perestroika.

[48] It might be assumed that this socialist critique of the enrichment of the black marketeers and their lifestyles, expressed in the letters and popular culture, was just an expression of envy towards "the new rich" and that people just used the socialist rhetoric because they knew it was the only legitimate way to express their frustrated economic expectations and disappointment by the low living standards at the backdrop of the big promises of the state. However, I argue, we should ask, first, what made people write their letters in the first place (while they were not getting any benefit out of it). And second, why exactly they were using socialist language although the state itself, as the letter writers themselves suggest, was not so loyal to this rhetoric anymore (not persecuting underground dealers).

Chapter Outline

The first chapter sets the stage for the analysis of late Soviet ideas about personal wealth. The Thaw was a period of a proclaimed return to "Leninist" norms in various spheres, including aspirations for material equality. However, as opposed to the Lenin era, this time period had to deal with different social realities: there were no more pre-revolutionary elites and the majority of population had come of age under socialism. This chapter examines how ideas about money, property and "honest" labor were discussed in the late 1950s and early 1960s both by the authorities and by the broader population. The analysis is largely based on people's letters to state bodies regarding the new Party program (1961), especially the "Moral Code of the Builder of Communism." To get a sense of how these ideas worked in practice, the chapter also explores a campaign that called for the confiscation of houses built or bought on "unearned income" which took place between 1962 and 1964, in which people were deprived of their property rights based on their luxurious and allegedly illegal consumer habits.

Moving from popular opinion to experts' discussion, the **second chapter** analyzes the perspective of Soviet sociologists and economists on the question of wage differentials, social benefits and consumer needs. During the 1960s, the Soviet government founded various research institutions to learn how people really lived, and introduced a great deal of welfare benefits to those in need, including the expansion of the system of free or subsidized services such as childcare, vacation facilities, and housing. Researchers also tried to define what were people's rational consumer needs. In tracing the sociological and economic debates concerning the material stimulation of

labor, social benefits and consumption, this chapter analyses Soviet notions of material (in)equality in the period under study.

The **third chapter** deals with privileges. The size of people's wages were typically enough to buy basic goods and services but not enough to cover any extra needs. There were, however, select groups of people who supplemented their wages in legal ways. Leading officials within the Party, the state, the military, culture and academia earned high wages and were entitled to a special system of non-monetary privileges. Indeed, a whole network of special stores, restaurants, sanatoria and hospitals existed to provide people within these groups coveted goods and services, and almost for free. Privileged groups also included writers and artists, who collected royalties and fees for the publications of their works or their performances, or received prizes such as the Lenin Prize or State Prize (formerly the Stalin Prize). These groups of people were officially proclaimed "wealthy," and their wealth was said to be well-deserved and approved by the state and society. This chapter explores the notion of "well-earned wealth" under socialism as embodied by these legally wealthy groups and traces changes this wealth underwent in the late Soviet period.

The **fourth chapter** deals with rural life. While workers' wages had been rapidly growing since the 1960s, wages earned by collective farmers remained rather low. Farm workers soon discovered that the most efficient way to acquire wealth in the Soviet village was to work on private land. Soviet peasants had the right to own their small private plots of land where they could grow produce and breed cattle for their own consumption. They also had the right to sell any surplus crops at local collective farm markets, where they could charge free market prices. However, during the Khrushchev

era, a state campaign called on reducing the size of private plots and labeling any profits generated from their use as "anti-social." The situation changed once more in the 1970s, when food shortages and a crisis in state agriculture led the state to reverse course and encourage private land use and cattle breeding. Still, private plot use produced ethical dilemmas among the rest of the population and led people to wonder whether an activity designed for private gain can be socially useful. Accordingly, this chapter examines the notion of socially useful labor using various examples of private agricultural activity in different regions of the Soviet Union: growing fruits in Georgia, flowers in South Russia, breeding minks in Siberia and camels in Kazakhstan.

The **fifth chapter** continues to examine people's attitudes towards material inequality. It explores the growth of the black market in the late 1970s and resentment towards dealers operating within the underground economy. Centralized state production and distribution was too slow and inflexible to meet the demand for consumer goods and services, which resulted in a huge expansion of the black market run by a whole range of producers and sellers. These black market participants included people who formally worked in state production, trade, and the service sector who exploited their positions for illegal activity. They also included middlemen who smuggled goods from abroad. These people amassed wealth in the process of providing ordinary people with much coveted goods. The ostensibly luxurious lifestyle of this group, which differed from the hidden wealth enjoyed by members of the old Soviet elite, provoked strong reactions among the population.

Chapter six studies one attempt at economic reform, which tried to mitigate existing shortages and the growth of the black market, namely the rise of retail prices

between 1977 and 1981. A major cornerstone of Soviet economics was the fact that retail prices were not defined by the market. In contrast to capitalist countries, prices in the Soviet Union were supposed to be "real" and "scientifically calculated," based on the cost of labor invested in production. Since 1965, price stability, together with rising wages, became cornerstones of state policy designed to bring about widespread economic prosperity. By the end of 1970s, however, the government decided to increase prices for "non-essential goods"-- rugs, crystalware, furs, among others—as a way of retaliating against wealthy underground dealers who regularly purchased these luxuries at artificially low prices. This policy provoked resentment among broader population. While many citizens were not planning to buy the goods for which prices were increased, I argue that the very announcement of price increases for luxuries spotlighted for them the existence of the wealthy group.

The last chapter deals with *Perestroika*. Soon after Gorbachev came to power in 1985 and announced his program of *uskorenie*, the Soviet economy began to encourage some forms of private business for the purpose of stimulating production and addressing the problem of consumer shortages. Since the planned economy reached a state of crisis, private initiatives came to be seen as the only possibly solution for boosting economic efficiency. This chapter examines the discussions around on of the key *Perestroika* economic laws: the one on cooperatives (legal private enterprises) adopted in 1988. It shows that that this law, which introduced elements of the market economy, were perceived by many experts and ordinary citizens alike as violations of socialist morality. On the eve of the fall of the Soviet system, questions such as whether there should be a

limit to people's earnings, how prices should be determined, and what constituted "honest labor" became more acute than ever before.

Chapter 1. Petty-Bourgeois Tendencies, or Lawful Property Rights? Discussion of Private Property in the Khrushchev Era (1956-1964).

In the early 1950s Sergei Vasilenko from Krasnodar, a city in the south of Soviet Russia, built himself a big house on Klara Tsetkin Street. In 1964, Vasilenko's neighbors wrote a letter to the local authorities claiming that Vasilenko built his house using "unearned income" (*netrudovye dokhody*), meaning that his official salary was not enough to build such a house. In response to the neighbors' petition, local authorities confiscated the house from Vasilenko with almost no investigation, under a new law issued in 1962, which allowed confiscation of houses "built or bought on unearned income". The house passed into the ownership of the city administration, which in turn allocated it to the local furniture factory to organize a child care center for factory workers' children. The factory renovated the building and adapted it for children's needs, adding a big kitchen and a laundry room. However, three years later, in 1967, the court reconsidered the case and decided that the house was constructed by Vasilenko on "labor income" and thus should be given back to Vasilenko "in order to respect his property rights." The factory workers were outraged. They wrote to the Supreme Court of the RSFSR claiming that a miscarriage of justice had taken place. "How can the interests of a collective of sixty families be sacrificed to serve the interests of one individual?", they asked.[49]

This juxtaposition of the interests of a collective versus the interests of an individual regarding property is the focus of this chapter. It examines public debates

[49] GARF. f. 385. op. 26. d. 256. l.28.

during the Khrushchev period on whether or not Soviet people had the right to own private homes, dachas, and cars, and if so, what the moral implications of this ownership were. This discussion aimed to define the allowed level of Soviet citizens' individual autonomy and articulate the boundaries between private and public.

This debate unfolded in a particular moment in Soviet history. On the one hand, it was a time of postwar recovery that saw the emergence of a consumer society in the Soviet Union. State policies aimed at raising living standards and providing people with consumer goods, including separate (although mostly state-owned) housing. On the other hand, the Thaw was a time of the "return to Leninist norms," when the communist ideal of the priority of public over private was emphasized and private property was thus seen as problematic.

In this chapter, I will first explore ideas about private property in the Khrushchev period by focusing on the discussion of the new Party Program adopted in 1961. I will then analyze how these ideas were implemented on the practical level using the example of a campaign that sought to confiscate private houses "built or bought on unearned income" cited at the beginning of this chapter. I argue, first, that the very idea that private property was problematic was not imposed from above, but was shared by many among the broader population. Moreover, sometimes citizens were harsher than the state in fighting for these ideals. Second, although the priority of public over private was heavily emphasized in theory, it was very hard for the government to implement it in practice. Consequently, radical measures were never fully adapted and were abolished right after Khrushchev's ouster. The idea of property rights defended by the Civil Code adopted in 1964 prevailed over the collectivist ideals of the Thaw.

Private Property before the Khrushchev Era

The Bolshevik Revolution aimed to abolish private property and personal enrichment. After 1917, private homes were unceremoniously confiscated from their owners under the framework of nationalization.[50] However, the Soviet Constitution of 1936 legalized personal property, stating that "the right of citizens to personal ownership of their incomes from work and of their savings, of their dwelling houses and subsidiary household economy, their household furniture and utensils and articles of personal use and convenience, as well as the right of inheritance of personal property of citizens, is protected by law."[51] Personal (*lichnaia*) property, a concept introduced by constitution, as opposed to private property (which allegedly existed only under capitalism) was meant to satisfy its owner's individual needs with no possibility of income extraction. There were state restrictions which prevented property from "becoming capitalist". In the case of housing, for example, there was a requirement to follow "sanitary norms," i.e. a uniform amount of square meters per person, which prevented citizens from owning big houses. If a citizen happened to be living in a home sized beyond the norm, the law obliged them to forfeit the excess space.[52]

Many Soviet people lived in communal apartments (state-owned apartments shared by several families), but the majority of the population, not only in rural but also

[50] Anne O'Donnell, "A Noah's Ark: Material Life and the Foundations of Soviet Governance, 1916-1922" (PhD diss, Princeton, 2014).

[51] "1936 Constitution Of The USSR," article 10. English translation accessed April 8, 2022. https://www.departments.bucknell.edu/russian/const/36cons01.html

[52] Mark Smith, *Property Of Communists: The Urban Housing Program From Stalin To Khrushchev* (Northern Illinois University Press, 2010): 159.

in urban areas, lived in their own private homes until the mass housing campaign of the late 1950s.[53] During the Second World War, individual housing construction became especially widespread because of the housing crisis and favorable state policy.[54] Even in 1965, after the beginning of mass state construction projects in Soviet cities, still 34% of all urban housing remained private. Hence, private housing was seen as a necessary and natural supplement to state property.[55]

The Ambiguities of Personal Property in the Khrushchev Era

The Khrushchev period witnessed both a continuation and a shift in policies towards private ownership. On the one hand, the government continued to prioritize satisfying consumer needs even more than it did during late Stalinism. In 1957, the Communist Party passed a decree to increase housing construction and replace communal apartments with individual ones (although sill state-owned).[56] Mass housing programs that emerged at the end of the 1950s and the beginning of the 1960s aimed to increase living standards, which was seen as a precondition for the transition to communism. From 1958, individuals who could not count on state housing were also allowed to

[53] Andrei Markevich, "Finding Additional Income. Subsidiary Agriculture of Soviet Urban Households, 1941–1964" in *A Dream Deferred: New Studies in Russian and Soviet Labour History* (Bern, 2008): 390. See also: Steven E. Harris, *Communism on Tomorrow Street: Mass Housing and Everyday Life after Stalin* (Woodrow Wilson Center Press, 2013): 89-90.

[54] Ukaz Verkhovnogo Soveta SSSR ot 26.08.1948 "O prave grazhdan na pokupku i stroitel'stvo individual'nykh zhilykh domov," *Vedomosti Verkhovnogo Soveta SSSR*. 1948. no 36; Hessler, "A Postwar Perestroika?": 516-542.

[55] Smith, *Property of Communists*; Charles Hachten, "Separate yet Governed: The Representation of Soviet Property Relations in Civil Law and Public Discourse," in *Borders of Socialism: Private Spheres of Soviet Russia*, ed. Lewis Siegelbaum (Springer, 2006): 65-82.

[56] The new apartments given to citizens were not considered their private property; rather, they were assigned to individual families for temporary use. But in practice, families would sometimes go on to live in the same place for several generations.

organize housing cooperatives; they contributed their personal funds to a cooperative construction project and then received their private "cooperative" apartments.[57] People were also encouraged to cultivate their domestic space. Among other things, mass production of household appliances (which was seen as a part of the Cold War "peaceful competition" with the West) turned Soviet citizens' private sphere into a state priority. [58] In 1961, a new Party Program announced that soon "the demand of all sections of the population for high-quality consumer goods — attractive and durable clothes, footwear and goods improving and adorning the daily life of Soviet people, such as comfortable modern furniture, up-to-date domestic goods, a wide range of goods for cultural purposes, etc. — will be amply satisfied."[59] With this Program, the Khrushchev government officially encouraged people to amass personal property.

On the other hand, however, the Thaw was a period when return to the "true socialism" and thus collective interests were emphasized. In his speech at the 22th Party Congress in October 1961, Khrushchev, when talking about future abundance under communism, stated the following: "The idea that abundance implies the unrestricted growth of personal property is an idea that is alien to us, to communism. The working man's personal ownership of a large number of things, as a form of personal consumption, is not at variance with the principles of communist construction as long as it keeps within reasonable bounds and does not become an end in itself. But under certain

[57] Donald Barry, "Housing in the USSR: Cities and Towns" in *Problems of Communism* 18. no. 3. (May-June 1969): 10–11; Harris, "Communism on Tomorrow Street": 172-187.

[58] Reid, "Cold War in the Kitchen": 211–252.

[59] "Program of the Communist Party of the Soviet Union (1961)," English translation accessed April 8, 2022.

https://archive.org/stream/RoadToCommunism22ndCongressCPSU/Road%20to%20Communism%2022nd%20Congress%20CPSU_djvu.txt

circumstances, excessive personal property may become, and frequently does become, an obstacle to social progress, a breeding ground for private-property instincts; it may lead to petty-bourgeois degeneration. The individual then falls a prey to things and becomes a slave to them"[60].

Hence, the late 1950s and early 1960s was a time of reflection about the boundary between satisfaction of rational needs and the inappropriate petty-bourgeois consumer behavior.[61] The situation was further complicated by the fact that, as opposed to the times of the revolution, when those possessing property were representatives of the class enemy, the problem of private ownership in the Khrushchev's era came from inside the Soviet society.

When Khrushchev came to power in the mid-1950s, he started a mass campaign against many forms of private enterprise and "private property tendencies." Craftsmen lost their right to organize small cooperatives and had to join state enterprises. Individuals other than collective farmers were forbidden to own livestock. Private plot sizes were restricted to allow private plots owners to produce a harvest large enough only for their own family's consumption and not for sale (see more in Chapter 4). Thousands of people were arrested and hundreds executed for various kinds of illicit private economic activity.[62] In 1961, several economic crimes such as theft of the socialist property on an

[60] Nikita S. Khrushchev "Report of the Central Committee of the Communist Party of the Soviet Union to the 22nd Congress of the C.P.S.U (1961)," English translation accessed April 8, 2022:

https://archive.org/stream/RoadToCommunism22ndCongressCPSU/Road%20to%20Communism%2022nd%20Congress%20CPSU_djvu.txt

[61] See, for example, Christine Varga-Harris, "Homemaking and the aesthetic and moral perimeters of the Soviet home during the Khrushchev era," *Journal of Social History* (2008): 561-589.

[62] GARF, f. 9492, op. 6, d. 122, ll. 81-85. Evgenia Evelson, *Sudebnye protsessy po ekonomicheskim delam v SSSR: shestidesiatye gody* (Overseas Publications Interchange Ltd., 1986); Heinzen "Soviet Entrepreneurs": 544-565.

especially large scale, and violation of rules concerning hard currency and corruption on an especially large scale became death penalty eligible. Before, only crimes such as treason or murder were punishable by capital punishment. The struggle against those stealing from the state or just those enriching themselves in illegal ways became a major goal of the state. Both the media and closed letters of the Central Committee acknowledged that illegal economic activity was becoming widespread, and that the state was ready to pursue the harshest measures to stop it. People who were accused of those crimes were often also blamed for leading excessively luxurious "anti-social" lifestyles.[63]

In the context of this campaign, the question of private property came to be seen as particularly ambivalent: was it an important part of the rising living standards, or a bourgeois luxury incompatible with the communist morality and worthy of state legal persecution?

Personal Property and the Discussion of the 1961 Party Program

The discussion around the new Party Program adopted in 1961 demonstrates that the question of property and personal enrichment was seen as a major one, not only among the Party leadership but also, among the broader population. The previous program was adopted in 1919, and the necessity of drafting a new one was proclaimed by Stalin in 1936 after he announced that socialism had been built. However, the new text never got written under Stalin, and for Khrushchev, the task of adopting a new party program became especially significant. It was not only an opportunity to set new goals

[63] Oleg Khlevniuk, ed., *Regional'naia politika N.S. Khrushcheva. TsK KPSS i mestnye partiinye komitety, 1953–1964*. (Moscow, 2009): 201-202.

for the country, but also to abolish Stalin's "errors" and cleanse Marxist ideas. The decision to finally draft a new Program was taken at the Twentieth Party Congress in 1956, when Khrushchev denounced Stalin's "cult of personality". The final text of the new Program was adopted at the Twenty Second Congress in October 1961[64].

When the plan to write the new Party Program was announced, a working group inside the Central Committee of the Party was created for the purposes of drafting the text. This group put together the first draft, which was then published in *Pravda* for broader discussion. Individual citizens and whole collectives were encouraged to read the draft and provide suggestions for improvement. They could send letters with their additions or corrections to *Pravda* or to the Central Committee, which were then sent to the working group. The archival *fond* of the Party Program shows that letters were carefully collected and were broken down into subject categories for analysis. The *fond* does not contain the letters from citizens themselves, but it does contain files with the summary analysis and quotations from the letters, as well as the responses of the working group to people's suggestions.

From the analysis of those letters we can see that even if the draft of the Party Program was written in a collectivist spirit and contained a lot of promises about an even more collectivist lifestyle in twenty years, when communism was projected to be built, letter-writers still wanted it to be even more collectivist. They identified the "non-Soviet" or "individualistic" elements of Soviet life and they called for their complete liquidation. For example, in their letters written in response to the section of the Party Program on

[64] More on the new Party Program, see: Alexander Titov, "The 1961 Party Programme and the Fate of Khrushchev's Reforms," in *Soviet State and Society under Nikita Khrushchev,* eds. Melanie Ilic and Jeremy Smith (London, 2008): 8–26; Alexander Fokin, *"Kommunizm ne za gorami": Obrazy buduschego u vlasti i naseleniia SSSR na rubezhe 1950-1960-kh godov* (Moscow, 2017).

trade, people asked why household items as washing machines or television sets were available for private consumption, when it would have been much more wise to use them collectively (in building lobbies, for example).[65] Letter writers also suggested that under socialism, goods should be distributed for free.[66] They also thought that the State Bank had to stop paying interest on bank deposits because it led to "unearned income," and had to verify source of incomes held in personal bank accounts.[67]

The working group rejected all of these suggestions. Replying to the question about freely distributing goods, the group stated that on the one hand, there was already an item in the draft of the Program which promised a "gradual transition to free public dining in the factories," but on the other hand, "payment according to one's labor (*oplata po trudu*) will still be the main source of satisfying material needs of the population in the next twenty years" so free distribution was not yet relevant.[68] For bank deposits, the commission explained that "this measure is unreasonable because it will lead to the outflow of money from the bank and the state will lose the opportunity to use the idle money."[69]

But perhaps the most illustrative ethical ambiguity concerning private property came from the discussion around the Moral Code of the Builder of Communism. The Code was a part of the Party Program and consisted of twelve principles Soviet people

[65] RGASPI. f. 586. op.1. d.273. l.10.

[66] RGASPI. f. 586. op.1. d. 300. l. 19.

[67] RGASPI. f. 586. op.1. d.273. l.32.

[68] RGASPI. f. 586. op.1. d. 300. l.15.

[69] RGASPI. f. 586. op.1. d.273. l.32.

should follow in their everyday lives.[70] Half of the Code's principles concerned the priority of common interests over private ones. It included "devotion to the communist cause," "labor for the good of society," "concern for the preservation and growth of public property," "intolerance towards the violation of public interests," "simplicity and modesty in social and personal life," and so on.

However, people's responses to the Code show that they, again, wanted it to be even more collectivist. The working group noted that the "absolute majority" of the letters about the Moral Code talked about the necessity of the struggle against the remnants of capitalism in people's behavior. As one of the letter-writer mentioned, "what we have now in our country is some sort of passion (*zud*) to own property even when it is not determined by necessity," citing "cars and villas" in particular.[71] A suggestion, which was particularly frequent, as commission noted, was the one to add to the Moral Code the call to fight against "money-grubbing" (*stiazhatel'stvo*).[72] In response to these letters, the working group stated that citizens were absolutely right when they considered the aspiration for personal enrichment "incompatible with communist morality." Therefore, the working group indeed took a decision to add to the article of the Moral Code, which stated "intolerance towards injustices, parasitism, dishonesty, and careerism," the word "money-grubbing" (see pictures below).[73] Moreover, it noted that "taking into

[70] Deborah Field noted that the very inclusion of the Code into the Party Program indicated that questions of ethics had become a priority for the country's leadership in this period. Deborah A. Field, *Private Life And Communist Morality In Khrushchev's Russia*. (New York, 2007): 12.

[71] RGASPI. f. 586. op.1. d. 300. l.78. People who owned "cars and villas" were partially the members of the political, academic and cultural elite (see more in Chapter 3) and partially those who bought them through "unearned income" (more below).

[72] RGASPI. f. 586. op.1. d. 300. l.74.

[73] RGASPI. f. 586. op.1. d. 300. l.68

consideration the number of letters concerning this issue, it should be separately discussed at the forthcoming Party Congress".[74]

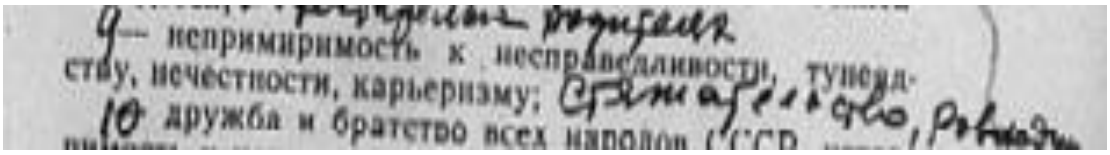


Figure 1. The printed draft of the Party Program, in which one of the principles of the Moral Code, namely "intolerance towards injustice, parasitism, dishonesty, careerism" is supplemented with an editing suggestion of the Central Committee's working group, written by hand, which reads "money-grubbing"(stiazhatel'stvo); this edit was then added to the final version of the Program – see next picture. Source: RGASPI. f.586. op.1. d.276. l. 82.



Figure 2. Postcard illustrating one of the principles of the Moral Code of the Builder of Communism ("Intolerance towards injustice, parasitism, dishonesty, careerism, money-grubbing), printed after the publication of the Party Program (By N. Babin and G. Gausman, 1966).
Source: Sakharov Museum: http://museum.sakharov-center.ru/otkrytki/index.php?p=145055:160463,160463:160467#160467:14220

[74] RGASPI. f. 586. op.1. d.276. l.1.

As we can see from people's letters and the reaction to them from the Central Committee's working group, the priority of the public over private and the struggle against enrichment were not just principles imposed from above. On the contrary, people actively participated in the creation of these principles and called for a more consistent and harsh policing of these collectivist ideals. State officials may not have satisfied their demands completely, but in some cases took them into consideration.

The Discussion of Private Property in the Press: Car Ownership.

The problem of private property was also widely discussed in the press during the Khrushchev era. For example, a famous satirical writer Leonid Likhodeev wrote an article in 1959 entitled "Private Property."[75] In his piece, he argued that when individuals had private homes and private plots around them, it made them grow and sell produce or rent some rooms out and thus instilled private property aspirations. "Let's put all the philistines (*meshchan*) to shame!", he suggested. A number of articles in 1958 and 1959 in all-union newspapers like *Pravda*, *Izvestia*, and *Literaturnaia gazeta*, criticized private ownership, offering different examples for how it morally ruined Soviet citizens.[76]

Besides home ownership, a major topic of these articles focused on car ownership, which was also a morally ambiguous concept. On the one hand, the new Party Program proclaimed that the "production of motor-cars will be considerably extended to

[75] Leonid Likhodeev, *Fel'etony* (Moscow, 1961).

[76] P. Iliashenko, "Spekulianty," *Literaturnaia Gazeta*, no. 111, 1958: 14; V. Beliaev, "Zemlia i zaboty," *Literaturnaia Gazeta*, no.116, 1958; "Interv'u s ministrom kommunal'nogo khoziaistva RSFSR," *Izvestia*, October 19, 1958. S. Narin'an, "Shalash s mezoninom," *Pravda*, August 20, 1959; S. Narin'an, "Grushi s rozovoii dachi," *Pravda*, July 22,1959.

service the population."[77] On the other hand, as in the case of homes, personal car ownership was seen as problematic because a car represented a luxurious commodity. This commodity was also a new one. In the 1930s, the production of cars was low and the state owned the majority of available cars, which were reserved for state officials to use only. From the 1950s on, the production of cars grew and private car ownership became increasingly more common.[78] Still, in early 1960s, only 1 in 100 families in the Soviet Union possessed a personal car.[79] In their letters in response to the publication of the draft of the Party Program, some people asked to stop selling private cars to citizens since it encouraged private property tendencies. Instead, they suggested investing in public transportation.[80] Nikita Khrushchev in his speech to the workers of the city of Vladivostok on October 6, 1959 claimed that cars should have been produced to be used as taxis and not for private use: "The Americans often boast that they, by the way, have more private cars than we in the Soviet Union. But we do not set it as our goal to compete with the Americans in producing more private cars. <…> We want to establish another system of car use than in the capitalist countries, where they reason in the following way: it is a wreck, but it is my property. Cars will be utilized more rationally in our country than in America; we shall develop more taxi companies, from which people can hire a car for their necessary journey. Such a system will better satisfy people's demands and it will

[77] Program of the Communist Party of the Soviet Union (1961).

[78] Lewis Siegelbaum, *Cars For Comrades: The Life Of The Soviet Automobile* (Cornell University Press, 2011); Elena Tverdiukova, "Lichnyii avtomobil' kak predmet potrebleniia v SSSR. 1930-e-1960-e gg." *Noveiishaia istoriia Rossii,* 2, no. 3 (2012): 166-177; Jukka Gronow, Sergei Zhuravlev, "Soviet Luxuries from Champagne to Private Cars," in *Pleasures in Socialism: Leisure and Luxury in the Eastern Bloc* (Northwestern University Press, 2010): 121-146.

[79] *Narodnoe khoziaistvo SSSR za 70 let* (Moscow, 1987): 468, 472.

[80] RGASPI. f. 586. op.1. d.273. l.3.

be more in line with the interests of the society as a whole, as well as of those of each and every citizen".[81]

Citizens also wrote letters to the editor on that subject. For example, in 1961, the journal *Kommunist* published a letter from a certain Episkoposov, in which he argued that it was wrong to develop personal car ownership since it damaged the environment, required too many investments, and encouraged private property tendencies. What he proposed the state do instead was to promote car rentals. [82]

In 1964, the editor of the magazine *Ogoniok* asked the philosopher Grigorii Glezerman, from the Institute of Philosophy of the Soviet Academy of Sciences, to write an article addressing this issue. The editor explained that he considered it necessary because he received a lot of reader letters concerned about car ownership. In response, Glezerman wrote an article entitled "Where is the boundary?".[83] Where he argued that there was nothing wrong about consumer goods as such. "Communism did not mean poverty," he explained. The proletariat used to be poor before the revolution, and it was important to compensate for that poverty now. At the same time, Glezerman advised that abundance should be collective rather than private. He predicted that in the future, collective forms of ownership would become more widespread. Private car ownership would disappear because of the development of renting centers, whereas private dachas would become obsolete because of the development of health resorts. However, since this stage could not be reached fast enough, private property had to be allowed for the time being. Fighting against it was, according to Glezerman, tantamount to "vulgarizing

[81] Nikita S. Khrushchev, *Mir bez oruzhiia—Mir bez voin,* vol. 2 (Moscow: Gospolitizdat, 1960): 327–28, cited in Gronow, Zhuravlev, "Soviet Luxuries from Champagne to Private Cars": 134.

[82] Episkoposov, letter to the editor, *Kommunist*, no.13, (1961).

[83] Grigorii Glezerman, "Gde prokhodit gran'?" *Ogoniok* no.29, (1964): 25.

Marxism-Leninism". Moreover, private property gave people material incentives to perform labor.

But Glezerman was careful to note that there had to exist some restrictions to the personal property ownership. It should have reasonable limits and should not be a goal in and of itself. It was also important to examine the source of individual wealth. Those who worked honestly should not be equated with those who engaged in "parasitic" economic activity and used that unearned income to buy cars for themselves. But Glezerman also argued that, in some cases, the law was not clear enough and it was hard to decide whether the income was earned legally. He advised that in these cases, people should use their conscience (*sovest'*) and public opinion to decide. This principle would ultimately be put into practice in a law on confiscation of houses and cars that were bought on unearned income (see below).

Personal Property and the Campaign of Confiscation of Houses and Cars Bought on Unearned Income

Adoption of the Law

Although Soviet officials were ready to proclaim collectivist principles in their major ideological documents, it was much more difficult to implement these principles in practice. An interesting example of it is the Law on Confiscation of Houses Built or Bought on Unearned Income, passed in 1962.

In February 1961, Nikita Khrushchev delivered a long speech at a conference of the agricultural workers in Moscow. After discussing in detail specific topics such as the

structure of sown areas and the development of agriculture in the non-Black Earth Region, he proceeded to the topic of the "correct selection and training of cadres." Among other things, he said that "it is necessary, for example, to look into the income on which certain dishonest people live. It happens that a man works, say, at a milk-receiving center or in a beer kiosk. He works there for a year, and then you find out he has built a house. The question arises: Where did he get the money? It is clear that on small earnings you won't build such a house all at once. So, comrades, let's not be formalists. It is evidently necessary to think about issuing laws that will provide for the transfer of such houses for the benefit of the collective farm, for the benefit of society."[84]

As we can see, Khrushchev did not suggest to investigate the criminal activity of those "dishonest people" and to put them in jail. Instead, he wanted to take their property from them with no formal investigation ("let's not be formalists" he said) and use it for the benefit of the collective.

Khrushchev's suggestion was brought to life a year and a half later.[85] The Party Central Committee drafted a text of the new law, and in the period from July to September 1962, all of the republics of the Soviet Union issued decrees "On Confiscation without Compensation of Houses, Dachas and other Buildings Erected or Acquired by Citizens through Unearned Income."[86] (The majority of laws in the Soviet Union

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[84] *Pravda*. March 1, 1961: 4. English translation from: *The Current Digest of the Soviet Press* 13, no.9, March 29, (1961): 10.

[85] The connection between Khrushchev's speech and the law is mentioned in a Soviet lawyer's explanation of the law: V. Paniugin. "Praktika bezvozmezdnogo iz"atiia stroenii, nazhitykh na netrudovye dokhody," in *Sotsialistaicheskaiia zakonnost'*, no.3, (1964): 22.

[86] See, for example, Ukaz Prezidiuma Verkhovnogo Soveta RSFSR ot 26 iiul'a 1962 goda "O bezvozmezdnom iz"yatii domov, dach i drugikh stroenii, priobretennykh grazhdanami na netrudovye dokhody" in *Vedomosti Verkhovnogo Soveta RSFSR* no. 30: 464. The fact that the law was first drafted by the Central Committee is discussed in the internal documents of the Presidium of the Supreme Soviet of the Soviet Union: GARF. f. 7523. op. 83. d. 1152. l.15.

(including the Criminal Code) were formally adopted on the level of each republic separately, not all-Union level). The decrees, which were then confirmed as laws were framed as a response to citizens' requests. The text of the decrees explained that "state agencies have been receiving information from public organizations and working people's collectives that something needed to be done about individuals who have been building or acquiring houses, dachas, and other buildings through unearned income." These requests allegedly "proposed" that these houses should be transferred to the state.[87] In some of the republics, the law was soon supplemented by with other laws, which provided for the confiscation of cars and "other valuable possessions" acquired through unearned income. [88]

The laws did not explain what constituted "unearned income." And how to prove if the income was indeed unearned. However, it described the confiscation process in detail. To confiscate a house or car, executive committees of district or city Soviets (*ispolkomy),* i.e. the local municipalities*,* had to create special commissions made up of deputies, and representatives of state agencies and public organizations. Ordinary people and public organizations were to file complaints about houses allegedly built on unearned incomes to these commissions. If a commission confirmed that the suspicion was substantial, the materials were to be sent to court for a formal decision. If the court confirmed the decision of the commission, it issued a resolution on the house's confiscation.

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[87] The English translation of the decree can be found in *The Current Digest of the Soviet Press* 14, no. 32, September 05 (1962): 25-25 (Turkmenskaya iskra, July 28: 1; In Turkmenian Republic the decree was adopted on July 21, 1962).

[88] GARF. f. 7523 op. 83 d. 1152. p.7-10; Ukaz "O bezvozmezdnom iz"yatii avtomobileii u sobstvennikov domov, dach i drugih stroeniii, priobretennykh grazhdanami na netrudovye dohody" in *Vedomosti Verkhovnogo Soveta RSFSR.* no. 39 (1963): 699.

All of the republics also adopted classified resolutions (*postanovlenie*), i.e. instructions on how to enforce the law. The Soviet Russia's resolution, for example, stated that the judge had to ask the opinion of the "representatives of the community" (*predstaviteli obschestvennosti*) about a case to get a sense of how likely it was that the defendant indeed had built or bought his or her house through unearned income. The resolution also noted that the participation of defendant's lawyer in the trial was not obligatory. It also provided that the law was to be applied retroactively and with no period of limitation, which meant that even a person who had built his or her house thirty years before the law's implementation could be put on trial. An official from the legal department of the Russian Supreme Soviet explained in the internal correspondence that even though the state of limitation for most civil cases was three years, this did not apply to the new law because the houses under question "were built in contradiction of the purpose of civil rights in socialist society (*v protivorechii s naznacheniem grazhdanskikh prav v sotsialisticheskom obschestve*)." For this reason, he claimed, "the rights of such house owners should not be protected by law."[89] But confiscation did not necessarily mean eviction. According to the law, Soviet citizen could not have been left homeless. If a person did not have other dwelling besides the confiscated one, the court could decide to let the person live in one of the rooms of his or her former house, or to move him or her to another, state-owned, dwelling. In any case, the defendant would lose the right to dispose of the property by selling, bequeathing, or gifting it.

[89] GARF. f. 385. op. 26. d. 216. l.4-5.

The new law was thus not based on formal legal principles, but rather on common ideas regarding justice and morality. The role of society was especially significant: the very investigation was to be initiated by neighbors' denunciations, and public opinion had to be considered in the proceedings[90].

It is also significant that the law did not provide for the criminal prosecution of the eventual economic crime, through which the unearned income was received. The main goal was to transfer property from an (illegal) individual owner to the state. Moreover, the law aimed to persecute inappropriately lavish lifestyles. The resolution of the Plenum of the Supreme Court of the USSR #14 of October 23, 1963 explained that dilapidated houses (*vetkhie*) should not be confiscated, which shows that crucial here was not to confiscate any house built on allegedly stolen money but rather to fight non-communist luxury; houses that were not obviously "luxurious" did not fall under the laws purview.

[90] On the importance of the role of "collective" in Khrushchev's years, especially in the legal sphere, for example, comrade courts (*tovarishcheskie sudy*), see Oleg Kharkhordin, *The Collective and the Individual in Russia: A Study of Practices* (University of California Press 1999): 279–326. The very idea of the "moral" or "revolutionary" understanding of the law rather than formal one was discussed in the Soviet Union since the 1920s, see Peter Solomon, *Soviet Criminal Justice Under Stalin* (Cambridge: Cambridge University Press, 1997).



Figure 3. A cartoon from a 1961 satirical magazine. [A person getting approval of his house plan by the local state architect] "I do not think you will be able to build such a house! – We will do it as a cooperative: I am a manager in a store, my daughter – in a shop, my son-in-law – at a warehouse. This is how we are going to raise funds". Source: Krokodil, 1961, №25, p.3.

Context for the Law on Confiscation

Although the Soviet state provided its citizens with free housing and many individuals lived in state-owned, mostly communal, apartments, the majority of housing in the Soviet Union by early 1960s were still private. Over the course of the late 1950s-early 1960s housing campaign, private homes were often destroyed to make space for mass state construction (owners were either compensated or assigned a new state apartment).[91] In September 1963, the Supreme Soviet of the RSFSR issued a decree

[91] GARF. f. 9474. op.32. d.4; Harris, "Communism on tomorrow street".

according to which no further individual construction was allowed in the cities with the population of more than one hundred thousands inhabitants.[92] The decree also forbade the construction of personal dachas. The law decreed that, going forward, citizens were to get dachas only as part of a collective (cooperative), organized usually at their place of work. These dacha buildings had to look very different from ones that came before them: more simple and standard, without fancy terraces and pavilions.[93]

In this context, the confiscation of private homes, made possible by the law of 1962, made even more sense. First, private home ownership was considered impractical. Individual houses were inefficient in solving housing shortages compared to mass-produced apartment buildings. Second, private home ownership was deemed suspicious.[94] Formally, the law stated that the house had to be confiscated when the source of income for its construction or purchase was unclear. In essence, the law meant that privately-owned homes were too individualistic by definition. An article in a legal journal *Sotsialisticheskaia zakonnost' (*"Socialist Legality") explained that the law on the confiscation of houses built through unearned income aimed to "fight private property aspirations" (*chastnosobstvennicheskie tendentsii*).[95] The idea of confiscating individual homes was rather popular at that time. For example, in August 1963, the Azerbaijani Supreme Soviet wrote to the Supreme Soviet of the USSR asking for permission to adopt a new law according to which all big houses in Baku could be taken away from their

[92] GARF. f. 9474. op.32. d.4; d. 194; Smith, "Property of Communists," chapter 3.

[93] GARF. f. 5446. op. 98. d.1110. l.37; Stephen Lovell, *Summerfolk, a history of the dacha, 1710-2000*. (Cornell University Press, 2003): 178-185.

[94] Interestingly, this tendency was completely opposite to what was going on in the USA, where the post-WW2 era was a period of suburbanization and the concept of homeownership became crucial for nation-building: Cohen, "A Consumers' Republic": 193-290; Nancy Kwak, *A World of Homeowners. American Power and the Politics of Housing Aid* (Chicago, 2015).

[95] V. Paniugin, "Praktika bezvozmezdnogo iz"atiia stroenii": 22-25.

owners without any formal process, just "in order to stop private property aspirations" (*v tseliakh presechenia chastnosobstvennicheskikh tendentsii*).[96]

There was also another context for the passage of the law on confiscation of houses built on unearned income. Besides the discussion of the nature of property in Soviet society, there was also a discussion on the nature of labor. In 1961, another law was passed, this one titled "On Strengthening the Struggle with Persons Avoiding Socially-Useful Work and Leading a Parasitic Way of Life".[97] The law, which was directed at so-called parasites (*tuneiadtsy*), aimed to punish those who did not have a formal job and thus did not contribute their labor to the common cause. Sheila Fitzpatrick argues that, if in the earlier versions of similar laws, parasites were mostly understood as tramps and beggars, the 1961 law targeted well-off people living on "unearned income". The law, in other words, targeted people who engaged in illegal economic activities instead of or in addition to their regular jobs. The only acceptable labor, according to the anti-parasite law, was a job in a Soviet institution.[98]

The category of "anti-social behavior" used in the anti-parasite law was also used to justify the law on the confiscation of houses. For example, the resolution of the Plenum of the USSR Supreme Court on the enforcement of the law explained that its goal was to fight against certain kinds of anti-social (*antiobshchestvennoe*) behavior. Moreover, the legal commission of the RSFSR Supreme Soviet argued that both laws (on

[96] GARF. f. 7523. op.83. d.990. At the end, the decree was not approved by the USSR Supreme Soviet commission, which reviewed the draft.

[97] *Vedomosti Verkhovnogo Soveta RSFSR* no. 18 (1961): 273.

[98] Sheila Fitzpatrick, "Social Parasites: How Tramps, Idle youth, and Busy Entrepreneurs Impeded the Soviet March to Communism," *Cahiers du Monde Russe. Russie-Empire russe-Union soviétique et États indépendants* 47, no. 1. (2006): 377-408.

"parasites" and on confiscation) had "the same legal nature" (*odinakovyii pravovoi kharakter*) and can be applied together to prosecute the same defendants.[99]



Figure 4. "Dear Golden Fish, please turn my dacha into rubble. For just the half hour that the commission will be here", a cartoon from Krokodil, 1964, N24, p.11.

Enforcement of the Law

Despite the enthusiasm of the officials who passed the law on confiscation of houses so quickly, the law proved hard to enforce. The *ispolkom* commissions did not know how to prove or even claim that the source of income for construction or purchase was unearned. The initial request for confiscation had to go through various stages, and most requests were rejected on one of them. Citizens and organizations usually brought

[99] GARF. f. 385. op. 26. d. 216. l.7. See more on tuneiadstvo: Lastovka T. "Tuneiadstvo v SSSR (1961-1991): Iuridicheskaia teoria i sotsial'naia praktika," *Antropologicheskii forum*, no. 14 (2011).

their petitions first to the police (even though this was not necessary according to the law), who reviewed them and sent some of them to the *ispolkoms,* which in turn reviewed them and sent some to a court. The total number of petitions initially submitted was rather low, and by the end of the review process, the number shrunk even more. For example, in the first quarter of 1964, the police across RSFSR checked 4,091 requests for confiscation, out of which only 1133 were then sent to *ispolkoms*.[100] Out of this number, only 220 files were sent to court and as a result 165 houses (4% of those initially checked) were confiscated in RSFSR in the first quarter of 1964 (as well as 13 cars).[101] The usual explanation for the rejection of the claim was the lack of evidence. However, this does not explain why some cases with more evidence were often rejected, while others with less evidence were considered. Most likely, bribery was in play, but unfortunately I haven't found any specific evidence on that.

In some areas of Central Asia, *ispolkom* commissions did not count on citizen and organization petitions, and simply checked all the house owners indiscriminately.[102] However, the Central Asian republics did not have the majority of ultimately confiscated houses. In 1963, the distribution was as follows: out of 1746 houses confiscated all over Soviet Union that year, 38% were confiscated in Russia, 23% in Ukraine, 8% in Georgia, 6% in Kazakhstan and Uzbekistan, and less than 5% in each of the other republics.[103] The general distribution of the Soviet population then was as follows: 56% lived in

[100] We do not know what made people write those requests for confiscation of their neighbors' homes. We can speculate that there were at least two possible explanations (or a mix of them). First, they might have personally disliked the defendant or envied his or her house. Second, they might have known that this person stole from the government or they might have just considered it genuinely non-communist for a Soviet person to own a big private house, and thus wanted to seek justice.

[101] RGASPI. f. 556. op. 23. d. 164. l. 49-51.

[102] GARF. f. 7523. p. 83. d. 1152. ll. 1-4.

[103] GARF. f. 7523. op. 83. d. 1152. l. 5.

Russia, 20% in Ukraine, 5% in Kazakhstan and less than 5% in each of the other republics, including 2% in Georgia. Therefore, as we can see, Russia was underrepresented, while Georgia was overrepresented in the confiscation figures.[104] The majority of houses were confiscated in or around big cities; for example in Russia these were Moscow, Leningrad, Rostov, as well as the resort area of the Black Sea.[105]

Cases of house confiscation show that unearned income was understood in two ways. First, as an abuse of office: if a person had a small salary and built or bought a home, it meant that they used their position for personal benefit or some other kind of illegal activity. People who had this kind of unearned income tended to work as warehouse staff, drivers, and salesclerks who had access to the state goods and presumably stole them and used them for private gain. For example, a certain Tkach worked as a driver on a meat processing plant in Chernigov, Ukraine. His wife was unemployed and he had two children. Within a short period of time, he bought a house, a car and furniture. His house and car were confiscated in 1963 according to the new law, because his salary was viewed as being insufficient enough for these purchases, especially taking into account his three dependents.[106]

A second interpretation of unearned income was parasitism (*tuneiadstvo*): if a person was officially unemployed and built a home for themself, it was assumed that they had some illegal source of income, usually some form of private enterprise like crafts or

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[104] *Narodnoe khoziaistvo v 1960 godu*. Moscow, 1961. The overrepresentation of Georgian cases might be explained, first, by the fact that Georgia is situated on the Black Sea coast and therefore people liked to build summer houses there near the beach; and second, underground economy was more widespread in this region (see more in Chapter 5, also Gerald Mars and Yochanan Altman, "The Cultural Bases of Soviet Georgia's Second Economy," *Soviet Studies* 35, no 4 (1983): 546-560; Erik Scott, *Familiar Strangers: The Georgian Diaspora and the Evolution of Soviet Empire* (Oxford, 2016), chap. 5.

[105] GARF. f. 385. op. 26. d. 256. l. 1-2.

[106] TsDAVO. f. 288. op. 9. d. 2429. l. 14.

use of a private plot. Even though the Soviet state permitted certain types of legal (usually heavily taxed) private economic activities, any kind of private economic activity tended to garner suspicion. For example, a woman named Efrosiniia Kekshina from Crimea did not have a job but owned cows, goats, pigs, and chickens. By selling milk, eggs, and meat on the collective farm market, she was able to earn money and buy herself a home. This income was recognized as unearned and the house was confiscated.[107]

In March 1964 the house of Irene Raudene in Palanga, Lithuania, was confiscated. Her neighbors explained that her income was very low but she was still able to hire construction workers to build a two-story home for herself and her children. Meanwhile her husband was in jail, serving a sentence for speculation. The court agreed with neighbors' reports that the house was most likely built on unearned income, namely as a result of Raudene's husband's illegal economic activity.[108]

[107] TsGAVO. f. 288. op. 9. d.2429. l.40-41.

[108] GARF. f. 8131. op. 33. d.2081.

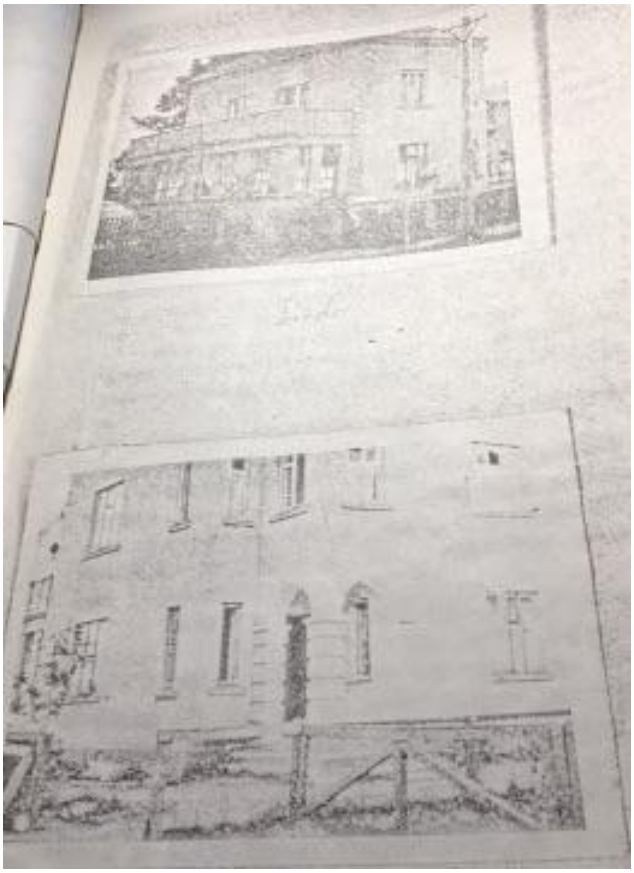


Figure 5. Irene Raudene's house in Palanga (Lithuania), confiscated by the state in 1964. Source: GARF. F.8131. Op. 33. D.2081. L.22.

In the majority of cases, the courts did not investigate the actual source of the illegal income and how it was earned. The courts did not go beyond the assumptions that one person's formal salary cannot afford them to build or purchase a home, or that they did not have official income at all. Sometimes, the defendants tried to claim that their wealth stemmed from long term savings or money borrowed from relatives or friends. Courts, however, were reluctant to believe the testimony of relatives who might have lent money to family members, claiming, that they were "an interested party." So the investigation mainly consisted of identifying the formal salary of the accused and the

supposed costs of the construction or purchase of a house. If the latter exceeded the former, it was usually enough for confiscation.

The lifestyle of the accused also mattered. If defendants also bought cars, furniture, TVs, rugs and "other valuable items," this was used as a proof (both by neighbors who filed petitions and by the courts) of the fact that the house was purchased not "by accident," but rather that the person in question had, indeed, consistently earned an irregular income.[109]

After confiscation, homes were typically transferred to public institutions such as kindergartens or schools, or to families in need of housing. Sometimes former owners continued to live in the house or in the part of the house because they did not have other accommodation. Some owners managed to appeal and reclaim their houses, but these cases were rare, and the proceedings typically took several years.

[109] See, for example, TsGAVO. f. 288. op. 9. d. 2429. l. 37-39.

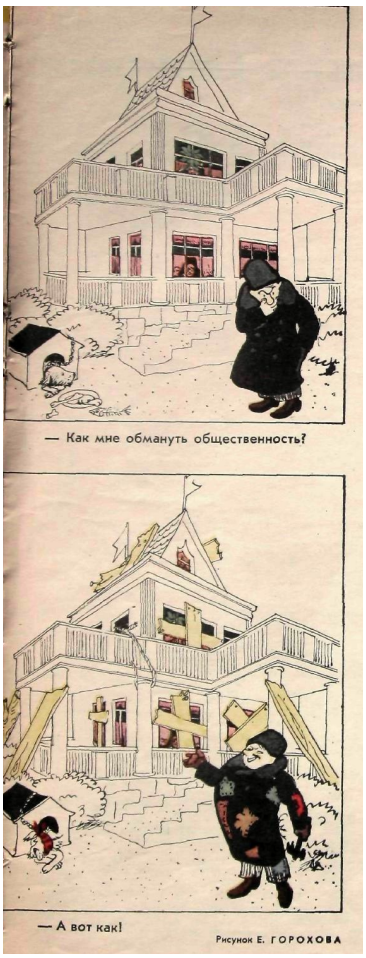


Figure 6. "How would I deceive the public? – Here is how!", Krokodil, 1963, №5, p.7.

As mentioned above, the overall confiscation figures according to the new laws were very low. In total, around 3000 houses were confiscated across the Soviet Union during the two years when the law was actively enforced (1962-1964).[110] The majority of the owners of confiscated houses, as the Ministry of Interior Affairs reported in 1964,

[110] GARF. f. 7523. op. 83. d. 1152. ll.1-4.

were workers in the industries of trade, supply and distribution, transport, and construction organizations, as well as people who held no jobs at all.[111]

Letters show that some people were unhappy about the fact that not all private homes were being confiscated. For example, Elena Izrailova, a 54-year old typist from Tashkent, Uzbekistan wrote a letter to the Central Committee in 1964, expressing her worries about private property. "We need to think through the confiscation of private houses in the cities. I am sure that the majority of them were built on unearned income. I know that now such 'owners' are discussed in the press and their houses are sometimes confiscated, but that is not enough! Sometimes, these people are being acquitted because their houses were allegedly built on labor income. But even if they were, it still contradicts Lenin's teachings (*uchenie Lenina*). I have noticed that oftentimes, people do not care about state property, but fuss over their private property. Such a worldview is rotten (*takoe predstavlenie iavliaetsia gnilym*) and we should fight against it."[112]

Suggestions of Abolition of the Law

In December 1964, General Prosecutor of the Soviet Union Roman Rudenko sent a letter to the Communist Party Central Committee with a suggestion to abolish the laws on the confiscation of houses. Why did this happen? It might have been a response to Nikita Khrushchev's ouster in October of 1964, since Krushchev was the one who called for the law's adoption. Also, beginning in October of that same year, the new Civil Code of the RSFSR went into effect, while other republics approved their civil codes around

[111] RGASPI. f. 556. op. 23. d. 164. l. 50.

[112] RGANI. f. 100. op. 5. d. 1041. l. 25ob

the same time.[113] This body of legislation contained a large section on personal property. Not only did it confirm the right of Soviet citizens to own private homes but it also codified different state guarantees to support this right. Homes could not be confiscated from owners unless a court could prove that they had committed a crime. [114]

The emergence of the Code reflected the hidden growing strengthening of the concept of private property. Simultaneous with the Khrushchev's idealistic collectivist line, those arguing for a more formal understanding of property were still able to draft a new civil legislation protecting some forms of private property. After Khrushchev's removal and the publication of the Code, property rights protection prevailed over collectivist ideals.

In his letter, Rudenko attacked the law for its "violation of the lawful civil rights of Soviet citizens." Specifically, he argued two things. First, the law placed the burden of proof on the accused, which meant that the defendant had to prove that his house was built on *labor* income. Hence, Rudenko argued that the law "violates the personal property right of the Soviet citizen, which is protected by the Constitution of the USSR. It puts into question the legitimacy of ownership unless it is proved."[115] Another feature of the law, which Rudenko disagreed with, was the criteria used by the courts to define unearned income. All they did, he noted, was to extract the cost of living (food, clothes, etc.) from someone's salary, and if the rest was not enough to build or buy a home (calculated by the average cost of home construction), they concluded that it was built on unearned income and confiscated it as a result. However, Rudenko argued that expenses

[113] Civil Codes of the Soviet republics were adopted on the basis of the Fundamentals of Civil Legislation of the USSR, adopted in 1961.

[114] *Grazhdanskii kodeks RSFSR* (Moscow, 1964), articles 105-106, 109, 111, 304.

[115] GARF. f. 7523 op. 83 d. 1152. ll.1-4.

varied by person: different people spent different amounts of money. Moreover, he argued that courts fail to take into account that some people own livestock, which allow them to spend less money on food. Others have savings or borrowed from friends or relatives. Rudenko's conclusion was that, as a result, honest workers and white-collar workers (*sluzhaschie*) stood to suffer from this law.

After receiving Rudenko's letter, the Central Committee created a commission to study the law's enforcement. The Commission consisted of Anastas Mikoyan (the head of the USSR Supreme Soviet Presidium), Viktor Grishin (Head of the Trade Unions), Roman Rudenko himself (USSR General Prosecutor), Alexander Gorkin (the Head of the Supreme Court of the USSR), and Nikolay Savinkin (the head of the administrative department of the Party Central Committee). The Commission requested the opinion of the Supreme Court of RSFSR, which confirmed the same problems that Rudenko mentioned. The Supreme Court added that there was no statute of limitation for these cases, and it often happened that the accused could not prove his or her innocence because his or her house had been built so long ago that the documents proving both his or her income and home expenses were unavailable.[116] Another problem stemmed from assessments of home construction costs. The Supreme Court claimed that it was very difficult to define constructions costs especially if the home in question was built by the defendant themselves, rather than by hired workers. Finally, the Supreme Court claimed that many cases arrived to court from the police. These were cases where police lacked the evidence to initiate a criminal investigation against a home owner on a charge of theft of socialist property and decided just to transfer the case to the *ispolkom* commission,

[116] GARF. f. 385. op. 26. d. 256. l. 3.

knowing the low burden of proof required of confiscation cases. The Supreme Court agreed that the law violated citizens' lawful rights.[117]

At the meeting of the commission on January 9,1965 in the Kremlin, the idea of abolition of the law was approved and the draft of the decree on abolition was sent to the Central Committee.[118] The decree draft suggested that the Central Committee should recommend to all of the republics to abolish the laws in question. The Commission noted though that the abolition of the law did not mean that previously confiscated homes should be automatically returned to their owners. Rather, the defendant had to file an appeal to the prosecutor's office, which could send the case for retrial if deemed appropriate.

However, the Politburo of the Central Committee did not approve the draft and the law was never abolished.[119] We do not know why this happened, but perhaps the reason stems from the reluctance of the state to give the confiscated houses back to their owners, because it would have led to the necessity of finding other space for families and institutions that had been previously housed in confiscated homes (like in the case of the child care center cited at the beginning of this chapter). But enforcement of the law fell significantly after this discussion. For example, the Supreme Soviet of the RSFSR reported that, in 1968, the number of confiscated homes fell ten times compared to 1963. Regional courts reported in 1968 that the cases they had under consideration were mostly those which they received back in 1962-64 (and for some reasons had not heard yet).[120]

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[117] GARF. f. 385. op. 26. d. 256. l. 5.

[118] GARF. f. 385. op. 26. d. 256. l. 20.

[119] The legal department of the RSFSR Supreme Soviet reported in 1965 that all the documents were sent to the Politburo but never returned (GARF. f. 385. op. 26. d. 256. l. 26).

[120] GARF. f. 385 op. 26 d. 256 l. 41-42; l. 50-54

In 1969, the Supreme Soviet of the RSFSR suggested once again to abolish the law, this time using harsher rhetoric, itself a sign of how attitudes towards private property had evolved over the course of the 1960s.[121] The Supreme Soviet claimed that *ispolkom* commissions lacked the authority to decide whether a person was guilty or not of building a home on unearned income. This clearly signaled that an intuitive understanding of justice had been transforming into a formal one. The Supreme Soviet also emphasized once again that the law did not define the criteria of unearned income. It took into account only legal salary, failing to acknowledge that people could earn income by legal, private activity (*razreshennymi vidami promyslov*) as long as they paid taxes. Finally, the Supreme Soviet argued that prices for construction might vary by place and over time. They concluded that citizens' lawful property rights, which were guaranteed by Article 10 of the Constitution, were being legally violated.

The law was never abolished, though, and even by the 1980s it remained in place but rarely enforced.[122] Individual ownership remained regulated by the Civil Code of 1964. The Code confirmed that every Soviet citizen had the right to own a private home. It provided only two restrictions to ownership. First, home sizes were restricted to certain size prescribed by the Council of Ministers of the relevant republic. Second, each citizen could own only one home. If they had two homes, they had the right to sell or gift the second one without punishment. There were two cases in which the house could be indeed confiscated from the owner according to the Civil Code (besides the criminal offense). First, if no permit was gotten for the house construction. Second, if the house was consistently used to extract unearned income, such as rented out for the price higher

[121] GARF. f. 385 op. 26 d. 256 Ll.50-54.

[122] G.K. Kostrov, "Netrudovoi dokhod kak pravovoe poniatie," *Pravovedenie* no. 4. (1983): 46-52.

than the one prescribed by a republic's Council of Ministers. In all other cases, the house could not be confiscated from the owner and the lawful property rights of the citizens had to be respected.[123]

Perhaps the epitome of the evolution in the understanding of private property can be captured by another article written by the journalist Leonid Likhodeev, cited above. In 1966, Likhodeev published a piece in which he publicly rejected his previous views.[124] He argued he was wrong in his 1959 article, and stated that private property may not be so bad after all. "Things that seemed to be the norm ten years ago now appear as an error", he wrote.

This evolution shows how ideological slogans and their intuitive interpretations gave way to formal procedures; private property rights came to be protected not challenged. It also shows how short-lived Khrushchev's idealism on the legal level was, and how difficult it was to implement it in practice.

Conclusion

The notion of private property was ambiguous in the Soviet Union from the very beginning. The abolition of private property was one of the main slogans of the Bolshevik Revolution, but it was then legalized as "personal property" in the 1936 Constitution. During the Khrushchev era, private ownership came under attack yet again.

The early 1960s were a time of idealism, when people were encouraged to act according to ideological slogans rather than formal procedures. This is what Khrushchev

[123] *Grazhdanskii kodeks RSFSR* (Moscow, 1964), articles 105-111.

[124] Leonid Likhodeev, "Chastnaia sobstvennost,'" *Sovetskaia pechat'*, no.12 (1966): 20-23.

meant when he made a call "not to be formalists." Both the law on the confiscation of houses and the law on parasites were not about citizens' individual legal rights, but rather about morality. The fact that, for both laws, the role of the public (*obschestvennost'*) overpowered the role of defense counsel illustrates this "intuitive," non-formalist style of law enforcement.

However, this attack on property proved inconsistent. The priority of collective interests over private ones clashed with the necessity of raising the standard of living and providing a moral incentive for labor. Collective ownership and the fight against "private-property aspirations" proved to be at odds with an increased production of consumer goods and a goal of satisfying people's material needs. Moreover, it proved difficult to implement those collectivist slogans in practice, and idealism did not last long. As the home confiscation campaign shows, local authorities were reluctant to take property away from owners. After Khrushchev's removal in 1964, the practice of confiscation was almost abandoned. Formalism overcame idealism and the Civil Code, adopted in 1964, confirmed the property rights of Soviet citizens. Compliance with formalities and observance of rights became important. And yet, the law was never abolished and individual home ownership still remained a grey area of the official Soviet rhetoric.

There was one more important feature of the early 1960s' attack on private property. This attack, I argue, was not only motivated by Khrushchev's own collectivist ideas or by the revolutionary idealism of the Soviet leadership in general. Instead, there was a great deal of popular participation in it. This ideology was not imposed from above, but was rather the result of negotiations between leadership and citizens, who had

their own ideas about how Soviet society should function. In some instances, people behaved even more "communist" than state officials. In the later period, as I show in the next chapters of my dissertation, this distinction became even more significant. The Soviet government abandoned collectivist idealism and became more interested in pursuing purely economic goals. And ordinary citizens were left alone to defend socialist principles.

Chapter 2. "To Each According to His Contribution" or "To Each According to His Need"? Social Benefits, Consumption and (In)Equality in the Soviet Union in the late 1950s to early 1970s.

In 1985, the Soviet film director Alexander Rogozhin made a short documentary entitled "Social Justice." The film was made at the request of Gosteleradio (USSR State Committee for Television and Radio) for international audiences to show the fairness of Soviet society. The main protagonists of the documentary were a group of Soviet miners from Kuzbass, a large coal mining area in Siberia. In the film, the voice-over and the miners themselves described their everyday life. They emphasized how, when they had been training, they had received a generous student stipend, which allowed them to make ends meet, and also, that they had not been afraid of unemployment because they knew they would get a good job once they graduated. The miners also shared how they were able to enjoy heavily subsidized visits to a sanatorium, one built specifically for miners. Finally, those of them who already retired explained how their pensions were substantial enough to allow them to enjoy life: to work in their gardens or go fishing, all without having to think about money. [125]

Although this documentary may be just a product of late Soviet propaganda, it provides us with an insight into how economic justice was understood in the late Soviet Union. Interestingly, the movie talked a lot about social benefits, such as student stipends, vouchers to sanatoria, and pensions, and almost never mentioned wages. The viewer could assume that all the miners shown in the documentary were more or less equal in their material standing and that money did not matter. However, at one point, the

[125] GARF, f. 6903, op. 32, d. 2146, ll. 107-137.

narrator noted that the wages on the mine were "distributed according to one's contribution" (*po trudu*). This thought, though, was mentioned in passing, and did not get any further development. Thus, the example of this documentary highlights an interesting contradiction which existed in the late Soviet Union. On the one hand, the official doctrine proclaimed that Soviet society at that point was a society of developed socialism, not communism, which meant people were rewarded for their labor based on their contribution, and inequality still persisted. On the other hand, Soviet propaganda from the time suggested that Soviet people were already materially equal, and were being remunerated according to their needs, as it would have been under communism. So how equal were Soviet citizens supposed to be in the late Soviet Union? And how was wealth supposed to be distributed: according to one's contribution, or according to one's need?

This chapter focuses on the period from the mid 1950s to the mid 1970s, to show how the Soviet welfare state was created.[126] It explores how the two tendencies, mentioned above, one of aiming at greater material equality, and the other, of encouraging more inequality as a means to incentivize productivity, co-existed and competed with each other. This was the period when the Soviet Union's famed social security system came into being, and when the level of material inequality in the country drastically decreased. Soviet sociologists claimed that the ratio between 10% the wealthiest and 10% the poorest Soviet citizens between 1946 and 1967 fell from 7.2 to

[126] Although some scholars demonstrated that some degree of the welfare state in the Soviet Union came into being in the 1920s and 1930s, the scale of it, as I will show in this chapter, increased drastically in the late 1950s to early 1970s. On 1920s and 1930s see, Stephen Kotkin, *Magnetic Mountain: Stalinism As a Civilization* (Berkeley, 1997): 18-21; David L. Hoffman, *Cultivating the Masses: Modern State Practices and Soviet Socialism, 1914–1939* (Cornell University Press, 2011): 17-69.

2.8. Even Western scholars at the time agreed that "income in the Soviet Union was distributed in a more equal fashion than in most Western countries."[127]

This was also the time when the state's attack on various social sciences had ended, and various researchers, such as economists, sociologists and philosophers, were trying to calculate the ideal parameters for the material well-being of the Soviet population. One of the questions which interested social scientists of the time was the question of what the principle of redistribution had to be. Should one get only according to how well he or she had worked, or rather, according to what his or her needs were? Another important question was, whether there was a limit to people's needs and what was the rational volume of goods one was to consume. Since the state was the only employer and the only producer in the USSR, the distribution of money and goods was in the state's hands and thus, scholars believed that an ideal formula could, indeed, be calculated. If one could not work as well as others, should he or she receive less? Was material well-being something received only by being a good worker, or simply by being a Soviet citizen? Should all Soviet citizens consume the same list of goods or should some have a better supply than others? Formally speaking, distribution according to one's labor was the principle of socialism, while distribution according to one's needs was the principle of communism. So, could a communist principle be used before communism had been actually built?

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[127] N.E. Rabkina and N. M. Rimashevskaia, *Osnovy differentsiatsii zarabotnoi platy i dokhodov naselenia* (Moscow, 1972); Aaron Vinokur, and Gur Ofer. "Inequality of Earnings, Household Income, and Wealth in the Soviet Union in the 1970s," *Politics, Work, and Daily Life in the USSR: A Survey of Former Soviet Citizens* (Cambridge, 1987): 171-202. More on decreasing economic inequality since 1960s: Alastair McAuley, *Economic Welfare in the Soviet Union: Poverty, Living Standards, and Inequality* (Madison: University of Wisconsin Press, 1979); Michael Ellman, "A Note on the Distribution of Earning in the USSR under Brezhnev," *Slavic Review* 39, no. 4 (December 1980); Basile Kerblay, "Social Inequality in the USSR," *Problems of Communism* 56, (January-February 1982); Alec Nove, *An Economic History of the U.S.S.R* (New York: Penguin Books, 1982): 347-349.

This question generated ambiguous answers. So-called *uravnilovka* (leveling, or "vulgar egalitarianism") was criticized throughout the Soviet period. Material incentives have always been considered to be the crucial factor in increasing labour productivity. In 1965, the "Kosygin reform" aimed exactly at increasing material incentives for the purpose of stimulating productivity and economic growth.[128] The reform encouraged workers to perform better in order to earn more than their peers. In this sense, the Soviet state was promoting material inequality. However, the importance of lowering wage differentials and providing for those in need had also been emphasized throughout the Soviet period, and especially in the period under study. The period from the late 1950s to the early1970s was a time of unprecedented development of social policies, such as a huge increase of a minimal wage, introduction of payments for low-income families, families with multiple children, increase in pensions, and so on. It also emphasized decreasing the income gap of various professions. These trends were aimed at greater equality, and meant that even those who did not contribute to the common cause should live no worse than others.

This chapter explores the discussion of the notion of material equality between the 1950s and 1970s.

Stalinism and the Struggle against Leveling

The ambiguity regarding wage differentials existed since the founding of the Soviet state. When he introduced the first decree on the "Tariff Question" in 1921,

[128] Philip Hanson, *The Rise and Fall of the Soviet Economy: An Economic History of the USSR since 1945* (New York, 2003): 98–108.

Vladimir Lenin argued that "when talking about setting different tariff rates for workers with different qualifications, any thought about leveling should be discarded. Wages should be tied to participation in production."[129] However, at the same time, there was a tendency to reduce income disparities. According to Soviet economists, while the pre-revolutionary ratio of a specialist's wage to the wage of an unskilled worker had been 20:1, by 1922, that ratio had decreased to 8:1.[130]

Joseph Stalin's time, especially since the First Five Year Plan (1928-1933), witnessed the explicit use of material incentives and celebrations of economic inequality. Those workers who were considered most useful for industrialization earned much more than those considered less useful. In his 1931 speech, Stalin stated: "We can no longer tolerate that a machinist working in railroad transportation makes the same as a sweeper, we cannot tolerate that a machinist earns the same as a copyist."[131] Thus, during this time the income gap began to grow. Wages in heavy industry, especially in coal mining, metallurgy, and oil extraction, and especially wages for workers with higher qualifications, were much higher than those earned by workers in agriculture, light industry, and those without qualifications. [132] Wages in that time period were based on the piece rate rather than tariff rate, which meant people received an income not as a fixed, monthly amount but in proportion to what they produced.[133] Productivity,

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[129] Cited in Alexander Il'juchov, *Kak platili bolsheviki: Politika sovetskoii vlasti v sfere oplaty truda, 1917-1941* (Moscow, 2010).

[130] TsDAVO, f. 4738, op. 2, d. 280, l. 20.

[131] Iosif Stalin, "Novaia obstanovka – novye zadachi khoziaistvennogo stroitel'stva," in *Sochineniia,* vol. 13, (Moscow, 1951): 56. Cited in Ironside, *The Value Of A Ruble*, 125.

[132] Il'ukhov, *Kak platili bolsheviki,* 213-232.

[133] Ironside, *The Value Of A Ruble*, 119; Il'ukhov, "Kak platili bolsheviki".

especially extra-productivity (such as Stakhanovism), was highly materially rewarded.[134] For example, in 1934, a few shock-workers from the Stalin Car Factory in Moscow were allowed to buy private cars.[135] Private cars at that time were very rare, affordable for very few people (such as high Party and state officials, famous artists, and scholars).[136] Privileges bestowed upon elites also contributed to the era's large wealth discrepancy. In 1934, the party maximum - a rule which states that Party officials could not earn more than a certain amount of income - was abolished, and high party officials started to earn high wages.[137] Cultural, academic, and military elites received huge salaries as well (see Chapter 3).

There were also not many social benefits available for those who could not participate in production. Pensions for the elderly, for example, remained very low.[138] But beginning in the late 1940s, the country's social security system began to gradually change. The Second World War created many new categories of vulnerable people who needed state support. They included disabled war veterans, soldiers' widows, orphans, and homeless people, among others.[139] These people had previously considered the least socially "useful," now became subject to some degree of state care. No reform, however, was passed in this regard, until 1956, when the situation began to change radically.

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[134] Siegelbaum, "Stakhanovism": 226-231.

[135] "Pokupaiu avtomibil'," *Obshchestvennoie pitanie,* 1934, no. 4: 19, cited in Gronow, "Caviar With Champagne": 127.

[136] Siegelbaum, *Cars for Comrades*; Tverdiukova, "Lichnyii avtomobil'":166-177; Gronow, Zhuravlev. "Soviet Luxuries": 121-146.

[137] Il'ukhov, *Kak platili bolsheviki,* 350-351. 359; On the privileges of the ruling elite, see: Fitzpatrick, "Everyday Stalinism": 95-109; Yoram Gorlizki and Oleg Khlevniuk, *Substate Dictatorship Networks, Loyalty, And Repression In The Soviet Union, 1945–1975* (New Haven and London, 2020): 99-105.

[138] In 1950 the average state pension was one-fifth of the average wage: Hanson, "The Rise and Fall of the Soviet Economy": 66. See also Ivanova, "Na poroge "gosudarstva vseobshchego blagososto ianiia"": 61.

[139] E. Iu. Zubkova and T. Iu. Zhukova, eds. *Na "kraiu" Sovetskogo obshchestva: sotsial'nye marginaly kak ob''ekt gosudarstvennoi politiki 1945–1960-e gg*. Moscow: ROSSPEN, 2010.

Khrushchev and the Struggle against Inequality

When Nikita Khrushchev came to power, many people still lived in poverty and very few enjoyed what could be described as a "luxurious" lifestyle. In 1954, according to the data collected by the Central Statistical Agency (*Tsen'tranoe Statisticheskoe Upravlenie,* TsSU), 70% of most Soviet people's income went to food, and they still did not enjoy enough meat in their diet.[140] People wrote indignant letters to the authorities claiming they did not have enough to eat and asking why some people enjoyed privileges while others did not. In 1954, the editors of *Pravda* sent to Khrushchev a summary of letters that they received in their editorial office. Many letter writers spoke to the issues of social injustice and material inequality. G.N. Nezhdanov, a librarian and a war veteran from the city of Molotov, in the Ural Mountains, wrote: "There exists now a big differential between intellectual laborers and those with higher qualifications on the one hand, and unskilled workers who perform physical labor, on the other. For example, a cleaner or a daycare teacher earns 210 rubles a month, while professors, writers, and engineers, earn 15,000 per month. The ratio is 1:72! I believe the ratio should be 1:4, no more."[141] Interestingly, however, Nezhdanov acknowledged that inequality based on the amount of physical labor input and on the conditions of labor, made some sense: "I understand, of course, that some workers, such as miners working underground, earn based on a piece rate, not a fixed rate. So, if they earn a lot thanks to their productivity, I suppose, we should not limit that."

[140] Ivanova, "Na poroge "gosudarstva vseobshchego blagosostoianiia": 41.

[141] Cited in Ivanova, "Na poroge "gosudarstva vseobshchego blagosostoianiia": 53.

In his 1955 letter to the Central Committee, a certain Fedosin from Novocherkassk in the south of Russia, expressed his resentment against excessively high pensions for retired military commanders, amounts which could have reached few thousands rubles.[142] In the summary of letters sent to the Central Committee from the party members from all over the country in 1955, it was noted that people were criticizing "the existing system of remuneration" as it pertained to writers, actors, scholars and "some higher-ups."[143] For example, comrades Potapenko, Astakhov and Belkin from Leningrad wrote: "We understand, of course, that in our country there should be no *uravnilovka*, that wages should be differentiated according to differences between qualified and non-qualified laborers, and between various branches of industry. However, we think that certain categories or certain workers get especially high wages that are not economically substantiated."[144] At the Twentieth Party Congress, in 1956, new measures to reduce too high earnings were, indeed, announced. In his report to the Congress, Khrushchev talked at great lengths about various social problems and how the Party was going to address them. He mentioned the importance of mass housing construction, and the reduction of the working hours, but paid special attention to the issue of wages and inequality.[145] "In the Sixth Five-year plan," Khrushchev promised, "we should increase the wages of the workers by 30% and those of collective farmers by 40%." "The Central Committee of the Communist Party and the Council of Ministers are working on a decree to raise the income of the lowest-paid groups," Khrushchev announced.

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[142] RGANI, f. 5, op. 30, d. 135 l.7.

[143] RGANI, f. 5, op. 30, d. 135 ll.13-19.

[144] RGANI, f. 5, op. 30, d. 135 l.73.

[145] "Prodolzhenie doklada tovarishcha N. S. Khrushcheva; polnee udovletvoriat' rastushchie material'nye potrebnosti naroda," *Pravda*, February 15, (1956) : 7.

Following Khrushchev's speech, various steps were taken which aimed to decrease material inequality. First, there was an attack on the excesses of those who earned too much, especially the cultural, academic and political elite (see more in Chapter 3). Part of the campaign against material inequality was also aimed against "unearned income", as described in Chapter 1.

All the above-mentioned measures sought to reduce the prevalence of high earnings. However, a more important and more successful part of Khrushchev's campaign to decrease inequality involved raising the incomes of members of the lowest-paid groups.[146] Most of these members were unskilled workers, often women, who performed manual labor.[147] The first measure called for an increase in the minimum wage. Formally speaking, the concept of a minimum wage existed since 1918. The Labor Code, adopted soon after the Bolshevik Revolution, provided that an individual's wage could not dip below the subsistence rate. However, even Soviet economists recognized that, during the Civil War and its aftermath, these laws were difficult to implement.[148] In 1957, the minimum wage was raised by 40% and in 1962 it increased by another 50%, reaching a monthly amount of 40 rubles.[149] For comparison, the average monthly wage at

[146] This period was the time of the rise of the welfare state and support of the low-income categories all over Europe. See: Frank Nullmeier and Franz-Xaver Kaufmann "PostWar Welfare State Development" in *The Oxford Handbook Of The Welfare State* 1, (2010): 81-101; Aiqun Hu and Patrick Manning, "The Global Social Insurance Movement Since the 1880s," *Journal of Global History* 5, no. 1 (2010): 125-148.

[147]Donald Filtzer, *Soviet Workers and De-Stalinization: The Consolidation of the Modern System of Soviet Production Relations, 1953–1964* (Cambridge: 1992).

[148] Pavel Mstislavskii. *K polnomu blagosostoianiu i vsestoronnemu razvitiu cheloveka*. (Moscow: Economika, 1969): 64.

[149] TSDAVO, f. 4738, op.2, d.230, l.10.

that time was around 80 rubles.[150] One more achievement of the equalizing policy was the introduction, in 1965, of a minimum wage for collective farmers.[151]

Another element of the new welfare system that took shape during this time was an increase in pensions for the elderly, for victims of industrial accidents, and to households who lost a breadwinner. The first pension reform, in 1956, increased pension sizes for workers and white-collar employees, while a second reform, passed in 1964, introduced pensions for collective farmers (before that, collective farmers did not receive a pension at all). To further combat inequality, minimum and maximum pension rates were introduced, pension being no less than 30 rubles a month and no more than 120 rubles a month; in 1965 the minimum pension grew to 45 rubles.[152] Moreover, pension differentials was much smaller than wage differentials: those who earned 100 rubles a month would receive a monthly pension of 50 rubles when they retired, while those who earned 35 rubles a month would still receive a 35 ruble monthly pension.

The historian Mark Smith has argued that pension reform was "one of the most significant reforms of the Khrushchev era."[153] In contrast to the Stalinist system, which he describes as a "danger society" where state's goals "transcended the human scale," Khrushchev's society aimed at eliminating or at least alleviating social risks. According to Smith, in Moscow alone, the social security budget grew from 888 million in 1955 to a staggering 3.1 billion in 1959.[154]

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[150] *Narodnoe khoziaistvo SSSR v 1985 godu*. (Moscow, 1986): 397.

[151] McAuley, "Economic Welfare in the Soviet Union," chapter 2. Before that collective farmers did not have monetary salaries and were remunerated through the system of *trudodni*. See more in Chapter 4.

[152] Ivanova, "Na poroge "gosudarstva vseobshchego blagosostoianiia"": 135

[153]Mark B. Smith "The Withering Away Of The Danger Society: The Pensions Reforms Of 1956 And 1964 In The Soviet Union," *Social Science History* 39, no. 1 (2015): 129-148.

[154] Smith, "The Withering Away Of The Danger Society": 137.

The new Party Program adopted in 1961 supported and further expanded attempts to build a more materially equal society. The program explained that until 1980, the year when communism will have been built, the principle of distribution had to adhere to socialist principles, "from each according to his abilities to each according to his contribution." This principle ensured that "the members of society have a material interest in the fruits of their labor" and allowed for people to "harmonize personal and social interests in the most effective way." [155] This, in turn, would lead to increased labor productivity and increase in people's standard of living. The Party acknowledged, though, that due to the socialist principle of distribution, material inequality between different professions, among workers of various skills, and especially between workers and peasants in the Soviet Union would continue to exist. However, as the Party program promised, "the disparity between high and comparatively low incomes must be steadily reduced".

To fight against existing inequality before the arrival of communism, the Party program introduced an important innovation, something called the "public consumption funds" (*obshchestvennye fondy potrebleniia*), or the OFP. The OFP was first mentioned by Khrushchev at the 21th Party Congress in 1959, but it was fully implemented in 1961.[156] The OFP were funds allocated by the government to provide free or subsidized goods and services to its citizens, including housing, public dining, childcare, education, healthcare, vacation and entertainment.[157] The Party program claimed that the

[155] Program of the Communist Party of the Soviet Union (1961). t

[156] *Pravda*, February 2, (1959): 2.

[157] To some degree, the introduction of OFP represented the same trend as the mass housing construction and mass consumer goods production of the same time period. On housing see Harris, "Communism on Tomorrow Street", on consumer goods – Susan E. Reid, "This is Tomorrow! Becoming a Consumer in the

introduction of OFP was a sign that the country was already "advancing towards communism." "[In the next twenty years] personal needs will be increasingly met out of public consumption funds, whose rate of growth will exceed the rate of growth of payments for labour."[158] The aim of OFP, as the Great Soviet Encyclopedia later explained, was "a gradual, possibly fast convergence and leveling (*sblizhenie i vyravnivanie*) of the socio-economic status of various members of society, of different social groups, layers and classes."[159]

All in all, according to the Party Program, people's income would continue to be determined by their level of productivity before the arrival of communism, but this differentiation was to be compensated by the public consumption funds. So the question still remained: was consumption before 1980 supposed to be socialist (according to one's contribution) or communist (according to one's need)?

The Scientific Study of Inequality

As a result of Khrushchev's reforms from 1957 to 1968, average wages increased by 45%.[160] From 1958 to 1965 the real income of the Soviet population (which meant the income per capita, i.e. including dependents, and retail price adjusted, i.e. what could be purchased for this money) grew by 19%.[161] Studies showed that the ratio between 10% of

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Soviet Sixties," in *The Socialist Sixties: Crossing Borders in the Second World*, eds. Anne E. Gorsuch and Diane P. Koenker (Bloomington, 2013).

[158] Program of the Communist Party of the Soviet Union (1961).

[159] *Bolshaya Sovetskaya Entsiklopedia,* s.v. "Obshchestvennye fondy potrebleniia," vol. 20 (Moscow, 1974).

[160] TsDAVO, f. 4738, op.2, d. 280, l. 23.

[161] Ivanova, "Na poroge "gosudarstva vseobshchego blagosostoianiia"": 130.

the wealthiest and 10% of the poorest Soviet citizens fell between 1946 and 1967 from 7.2% to 2.8%.[162]

All these policies had to rely on thorough scientific research. In order to determine what a person's minimum wage or pension should be and who needed support from the OFP more than others, the government had to conduct multiple studies of the Soviet society. By the time Khrushchev came to power, the social sciences—economics, sociology and statistics—were in a dire state, casualties of Stalin-era repressions. The introduction of new social policies meant the revival of the social sciences, as well as the emergence of new disciplines, like cybernetics.[163] Another problem was relevant data. In 1956, for example, a leading economist Vasily Nemchinov wrote to Khrushchev that economists were "totally isolated from practical work" due to their lack of access to up-to-date published data. This presented a problem not just for research, but for the economy broadly: without statistical information, planning could not be rationalized, and the rate of technical progress would remain low.[164]

The first step on the path towards "liberating" the social sciences came with the founding, in 1955, of the Research Institute of Labor as a part of the State Committee for Labor and Wages. According to Soviet sociologist Natalia Rimashevskaya, the decision to create a department within the Institute designed to study living standards marked the

[162] Rabkina, and Rimashevskaia, "Osnovy differentsiatsii zarabotnoi platy i dokhodov naselenia". There were still differences in wages in different industries: the best-paid workers were those in the fuel industry (coal-mining and oil), non-ferrous metals, iron and steel, and chemicals, while the food industry and light industry were at the bottom. The average monthly wage in coal-mining was thus nearly 2.5 times that in light industry, see Filtzer, "Soviet Workers and De-Stalinization": 103.

[163] Vladislav Zubok, *Zhivago's Children: The Last Russian Intelligentsia*. (Cambridge, MA, 2009): 272-277; Francis Spufford, *Red Plenty* (Faber & Faber, 2010); Slava Gerovitch, *From Newspeak to Cyberspeak: A History of Soviet Cybernetics* (Cambridge, Mass.: MIT Press, 2002).

[164] Jakob Feygin, "Reforming the Cold War State: Economic Thought, Internationalization, and the Politics of Soviet Reform, 1955–1985" PhD diss., (University of Pennsylvania, 2017): 56.

beginning of socio-economic research in the Soviet Union.[165] Once the Institute opened, young economists and sociologists like Rimashevskaya started gathering and analyzing information on people's real income, spending, and economic differentiation. This data, as Rimashevskaya recalled, was then to be used to provide the quantitative foundation for the country's social security system. In 1959, another institution was founded to support socio-economic research, called the Research Institute of the State Planning Committee (NIEI Gosplana). In 1963, the newly-found Central Economic Mathematical Institute (TsEMI), the heart of Soviet mathematical reformists economics, also opened a laboratory of the study of the Soviet way of life.[166] Finally, in 1968 the Institute of Sociology was founded, which conducted qualitative rather than quantitative research on the topic.[167]

Economists and sociologists employed by these institutes wanted to study real income inequality and find ways to eradicate it. By that time, the official position of Soviet philosophy on material inequality was as follows. There existed four sources of material inequality. First, inequality created by class, i.e. inequalities between peasants, and workers, the only two classes which officially existed in the Soviet Union, according to the Constitution. Class conflict was officially overcome in the Soviet Union in 1936, when Stalin's constitution proclaimed that the two remaining classes, workers and

[165] N.M. Rimashevskaia. "50 let v nauke: Napravleniia issledovaniia I osnovnye rezul'taty," *Narodonaseleniie*, no. 2 (2009): 5-24.

[166] Ivan Boldyrev and Olessia Kirtchik, "The Cultures Of Mathematical Economics In The Postwar Soviet Union: More Than A Method, Less Than A Discipline," *Studies in History and Philosophy of Science* 63, (2017): 1-10.

[167] Boris M. Firsov, *Istoriia sovetskoi sotsiologii 1950-1980-kh godov: kurs lektsii* (St Petersburg, European University, 2001); Vladimir Shlapentokh, *The Politics Of Sociology In The Soviet Union* (Avalon Publishing, 1987).

peasants, were non-antagonistic. While not antagonistic, as the theory went, these two classes maintained different relationships to their corresponding "means of production": peasants worked on collective farms and allegedly owned the product of their labor, while workers worked in state-owned enterprises. Other sources of inequality stemmed from geography (urban/rural division, distinctions between various regions) and the type of labor performed (manual/non-manual). The idea was that, with time, all of these differences would wither away, mainly due to the mechanization of labor. Also, an important characteristic of Soviet inequality, according to official rhetoric, was that none of these inequalities were believed to give rise to exclusive socio-economic groups. Income, goods, and education were indeed unequally distributed among groups, Soviet social science argued, but this unequal distribution was not believed to lead to class antagonism. [168]

However, scholars working in the newly-founded institutions wanted to study income inequality in more detail. They claimed that Soviet society was, indeed, divided into socio-economic groups, and studying those groups was crucial for developing specific policies aimed at decreasing inequalities. Natalya Rimashevskaya herself began an innovative study of "differentiated income," arguing that in order to provide low-income families with necessary benefits, one needed to know exactly how many low-income families there were and what contributed to their poverty. (The very word "poverty" was never used in any Soviet documents and was replaced by "low financial security" (*maloobespechennost'*). As Rimashevskaya recalled, she and her colleagues relied on data from the Central Statistical Agency (*Tsen'tranoe Statisticheskoe*

[168] David Stuart Lane, *The End of Social Inequality?: Class, Status, and Power Under State Socialism* (Allen & Unwin, 1982): 30-46.

Upravlenie, TsSU). However, by the end of 1960s they realized, the data the agency gathered was not enough. Moreover, the data was classified and it was very hard for scholars to gain access to it. So Rimashevskaya and her colleagues decided to gather data on their own. She managed to receive permission from the Central Committee to go to the city of Taganrog (in the south of Russia), which was considered to be representative of an average Soviet city, and interview about a thousand families there. [169] Surprisingly, this work was made possible thanks to the support of the Propaganda Department of the Central Committee. Leon Onikon, an employee of the department, later explained that he had sanctioned this research because he also felt he needed more real information about people's living standards in order to improve his propaganda work.[170]

Rimashevksaya's main goal was to study family income and spending and to see how social standing defined one's material well-being and consumption habits. She later recalled that she was surprised by how equal Soviet society actually was becoming. She even wrote a request to the Department of Science of the Central Committee asking them to declassify this kind of data. In the request, she explained that research such as her own had to be published with actual numbers because it would show how small income disparities really were, a fact which would enhance the Soviet Union's image abroad.[171] (but the data had not been declassified until Perestroika).

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[169] N.M. Rimashevskaia, *O Mikhaile Gorbacheve, absurdnoi sekretnosti i populistskikh falsifikatsiiakh*, March 30, 2013, № 1556, Department of Oral History, Academic Library, M. V. Lomonosov Moscow State University. I am thankful to Natalia Lass for pointing me to this source. Accessed on April 8, 2022. http://oralhistory.ru/talks/orh-1556

[170] "Interview with Leon Onikov," in *Rossiiskaia sotsiologiia shestidesiatykh godov v vospominaniiakh i dokumentakh*, eds. G. S. Batygin and C. F. Yarmoliuk (St. Petersburg, 1999): 229-235. According to another Soviet sociologist, Boris Grushin, Propaganda Department was interested in having more information but when they got it, they were so unsatisfied of what they had learned that they ended up not using it: Batygin and Yarmoliuk, "Rossiiskaia sotsiologiia shestidesiatykh godov": 214-228.

[171] Rimashevskaia, "O Mikhaile Gorbacheve".

"Rational Norms" in the 1960s and the Idea of Equality

Another direction that scientific research took as a result of the Khrushchev's equalizing campaign concerned the study of consumption. In order to provide by the year 1980 all Soviet citizens with the goods and services they needed, as promised by the 1961 Party Program, one had to know exactly how much they would need. To determine this amount, the state sought out to calculate the "real needs" of the population in various spheres, and to draft a long-term plan for meeting them. The first long-term plan for producing consumer goods was put together in 1961 after the passage of the New Party Program. The plan described what Soviet citizen consumption would look like by 1980. The method suggested by Soviet economists was one based on calculating what they called "rational consumption norms."[172] It entailed approaching experts in different spheres and asking them how many goods of different types people needed in order to satisfy fully their "rational needs," and set that as a production goal. *Gosekonomsovet* (State Economic Council), part of the *Gosplan* (State Planning Committee), which existed in 1959-1963, was in charge of this perspective planning.[173] This plan contained information ranging from how many pairs of shoes people would need per year to how many pieces of furniture they would buy for their apartments to how much food they would eat. These "norms" were based on the needs of an average consumer and scaled to account for the whole Soviet population. Age, gender, and geographical differences were

[172] Phillip Weitzman, "Soviet Long-term Consumption Planning: Distribution According to Rational Need," *Soviet Studies* 26, no. 3 (1974): 305–21.

[173] S. A Bakanov and A. A Fokin. ""A pri kommunizme vsio budet...": gosuderstvennoe planirovanie urovnia zhizni sovetskogo cheloveka k 1980 godu," *Noveishaia istoria Rossii* 9, no. 2. (2019): 420-436.

taken into account when crafting these plans, but not income difference.[174] Soviet statisticians did acknowledge that the current population consumed differently depending on income, but they hoped not to reproduce these differences by taking them into account when making future projections. Although income distribution was supposed to be socialist, consumption had to become communist, that is, more or less the same for everybody.

In some sense, the Soviet case was not so exceptional. Around this same time, other, non-socialist countries were attempting to calculate average consumer needs, but they did so for different reasons and using different methods. For example, in 1961, "Heller Committee Budgets" in the United Stated sought to measure the cost of maintaining the commonly accepted standard of living for families of four in the San Francisco Bay Area. The main difference between this project and Soviet "rational norms" calculation stemmed from the way in which Heller Budgets calculated those lists of goods. First, they were calculated not for the population as a whole but separately for for two different income groups, wage earners and executive employees. Most importantly, Heller Budgets listed necessary goods based on what public opinion recognized as necessary to ensure a comfortable quality of living, while in the Soviet Union, instead, the list was based on scientific expertise.[175]

Soviet Welfare State and "Rational Norms" in 1970s

[174] Weitzman, "Soviet Long-Term Consumption Planning". See also Natalia Laas, *Economic Planning, Rational Consumption, and Search for Socialist Values in the Soviet Union in the 1950s-1980s* (chapter draft). I am thankful to Natalia for providing me with a draft of her dissertation chapter.

[175] Weitzman. *Soviet Long-Term Consumption Planning.*

As shown above, beginning from the late 1950s, material inequality in the Soviet Union kept shrinking. However, by the time Leonid Brezhnev came to power in 1964, wages still could not have provided a decent living standard for the whole population. According to the Research Institute of Labor, in the middle of the 1960s, the minimum necessary monthly income per person was 65 rubles, and only 25% of the population actually earned this income.[176] According to a report sent by the Central Research Economic Institute of the Gosplan of the RSFSR to the Central Committee in June 1965, the "liquidation of low material well-being" (*likvidatsia maloobespechennosti*) had to be a "central goal" of the Soviet Union's economic policy.[177] Partially as a result of this report, in 1968, the minimum wage rose to 60 rubles, and in 1976, to 70 rubles.[178] In 1971, the Central Committee decided to introduce a special monthly benefit for families with multiple children, whose income per capita was less than 50 rubles.[179]

These measures were indeed effective. In April 1973, the Central Statistical Agency (TsSU) sent a classified report to the Central Committee entitled "On the distribution of the population according to per capita income."[180] For this report, TsSU researchers performed a study of 310,000 families across the country. They looked at each family's earnings, taking into account their wages, pensions, stipends, and the new benefits. They concluded that the number of families who earned less than 6o rubles

[176] [176] Ivanova, "Na poroge "gosudarstva vseobshchego blagosostoianiia"":176.

[177] RGANI, f. 5, op. 20, d. 225, l. 1–9.

[178] TSDAVO, f. 4738, op. 2, d. 230, l. 88; RGANI, f. 4, op. 44, d. 18.

[179] N. Buzliakov. "Semeinyii buidzhet: Dokhody-Raskhody," *Literaturnaya Gazeta* (24 November, 1971): 10.

[180] RGANI, f. 5, op. 66, d. 46, l. 22-27.

decreased between 1965 and 1972 from 68% to 37%, and found that the share of "relatively low-paid" (*sravnitel'no maloobespechennye*) families with a monthly income per capita that amounted to less than 50 rubles had decreased from 51.5% in 1965 to 23.5% in 1972. Meanwhile the share of those with an income higher than 100 rubles per month grew from 4.3% in 1965 to 20.6% in 1972.

TsSU researchers also mentioned that, among families with a per capita income of less than 50 rubles, most lived in Central Asia. This included 64% of families in Tajikistan (twice the union average), 55% of families in Uzbekistan, 47% in Kirgizia, and 44% in Turkmenia. Meanwhile, families from the Baltic republics were among the most highly-paid: in Estonia and Latvia, only 8% of all families earned less than 50 rubles per capita (three times less than the union average); for comparison, in Russia, the share of "low-income families" registered at 16%. Researchers at the time argued that the main factor that determined this differentiation of income per capita was the number of dependents (children and elders). Which is why, in Central Asia, where families were much larger than elsewhere in the Soviet Union, households earned the lowest income per capita.

Meanwhile, the discussion of "rational consumer needs" and consumption continued. In 1971, ten years after the first long-term plan for consumer goods production had been developed, planners decided to draft a new long-term plan for the next twenty years, until 1990. By that time, Brezhnev announced that developed socialism has been built, and the idea of the arrival of communism by 1980 had been abandoned.[181] By this time there was a strong opposition to the idea of rational norms in the Soviet academic

[181] Mark Sandle, "Brezhnev and Developed Socialism: The Ideology of Zastoi?," in *Brezhnev Reconsidered* (London, 2002): 165-187.

community. For example, Rimashevksaya has claimed that it was much more important to study actual consumer behavior rather than abstract norms.[182] Other economists also claimed that consumption plan had to represent an econometric forecast based on the current consumer demand and not an abstract calculation of needs. Yet the idea of rational norms persisted. Those who supported the norms-based approach explained that production should not just follow consumer demand, but should be calculated scientifically based on what was reasonable, and then applied to shape consumer tastes accordingly.[183] This approach implied that people's needs were not defined by the money they earned but by "absolute" needs, which did not depend on income. For example, the Institute of the Complex Problems of Transportation by the request of the Gosplan had to predict how Soviet people were going to use transportation in the period until 1990. In their report, experts from the Institute explicitly claimed that they did not take into account the money people had; in other words, their calculations were not based on what people could afford. Instead, it was based on absolute needs; for example, experts took as a given that each Soviet individual had to take a vacation at least once a year.[184]

Thus, according to the experts, supporting the idea of "rational norms", the "real" or "absolute" need for some goods might be higher than the actual demand for them. For example, according to a report which Gosplan received regarding citizens' needs for furniture, real needs according to rational norms corresponded to about 8 billion rubles,

[182] Rimashevskaia, "50 Let v Nauke: Napravleniia Issledovaniia I Osnovnye Rezul'taty".

[183] Weitzman, "Soviet Long-Term Consumption Planning".

[184] RGAE, f. 4372, op. 66, d. 6296.

while demand for furniture according to purchasing power was only 6 billion. In other words, people needed more than they could afford.[185]

The "real" need for other goods, though, according to some experts, was lower than actual demand. For example, some planners argued that an "artificially high" demand for private cars should not be taken into account when calculating production plans. Alekseii Krasnopivtsev, an employee of the Gosplan, described a Gosplan meeting, in April 1973, regarding long-term consumption plans. At this meeting, Alexei Goregliad, the deputy head of Gosplan, criticized the preliminary plan that he had received in the following way. "I think this plan has to be corrected," Goregliad explained. "Now in the plan the average income per capita per year in 1990 is forecasted to be 2500 rubles. The experts then suppose that this means that half of all families will have cars and 80% of women will go to the hairdresser every other day! But that is not the right way to improve our living standards, not a socialist one! Why do we need so many private cars? Instead, we have to calculate the optimal ratio of private vs. public to show our socialist achievements".[186]

If in the sphere of food the experts could have based their norms on nutritional characteristics (how many calories people needed from the health point of view), with much other products like clothing or furniture it was much harder to do. Experts in all spheres increasingly started to talk about the importance of individual tastes and differentiation. [187] In 1971 a Gosplan employee named Nikolay Buzliakov wrote an article in *Literaturnaya Gazeta* explaining that "rational norms" did not mean that

[185] RGAE, f. 4372, op. 66, d.7482

[186] Aleksei Krasnopivtsev, *Zhazhda Spravedlivosti*, vol. 1 (Moscow, 2013): 98.

[187] TSDAVO, f. 4738, op.2, d.230, l.62.

everybody would own the same things. He described how Gosplan only decided to include in the list of necessary goods "a table" or "a pair of shoes" and the Ministry of Trade then decided what specific models should be produced to meet consumer demand. Each individual consumer could, in theory, chose a product according to his or her own taste and income, Buzliakov explained.[188]

The economist Gennadii Lisichkin, who also wrote an article in the same issue of *Literaturnaya Gazeta* from 1971, even went so far as to claim that "it has become almost impossible to calculate rational norms anymore." The assortment of goods grew so fast, he explained, and fashions changed so quickly, that it was hard to predict which goods people would need in a few years.[189] Lisichkin warned, however, that this did not mean that demand would become totally spontaneous (*stikhiinyi*). "Consumerist ideals cannot become the goal of socialist production," and the needs still had to be kept in certain limits.

Another point which made the existence of universal rational norms somewhat ambiguous was the persistence of low-income groups. In 1971, researchers from the Research Institute of Gosplan issued a report on earnings and spending in which they explained that the notion of average popular spending had been wrong all along. "Now, in the literature, we can often see the claim that, on average, the level of rational norms has already been achieved. However, this claim excludes those who are less well-off than average."[190] They explained that the goal had to be to provide a good living standard for all of the citizens, and not just for an "average citizen".

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[188] Buzliakov, "Semeinyii Buidzhet: Dokhody-Raskhody":10

[189]G. Lisichkin, "Vybor," *Literaturnaia Gazeta*, November 24, 1971.

[190] RGAE, f. 99, op.2, d. 1113, l.181.

Partially in response to this claim, researchers from the Department of the Socio-economic Problems and Living Standards of the Research Institute of Gosplan in Ukraine wrote a report entitled "The Minimal Level of Material Provision of the Population," one that was marked "for professional use only" (i.e. semi-classified) .[191] They suggested that besides the "rational budget", i.e. the list of goods, which an average Soviet citizen had to buy per year, Gosplan had to also take into account the "sufficient budget" (*buidzhet dostatka*), a euphemism for "subsistence." They explained that this "minimal level of provision" was a specific socialist notion. As opposed to the concept of a "subsistence rate," used in the West, which covered only the minimum income necessary to survive, the minimal level of provision, or the "sufficient budget," aimed to still satisfy the entirety of people's rational needs. This meant that even low-income families were to consume like everybody else in society, just that their "budget" was tailored in such a way that took their low income into account. The structure of spending in their case had to be more efficient; for a smaller amount of money, these families would have to buy almost the same list of goods as someone with a higher income. For example, a person could consume the recommended 3,000 calories-a-day by consuming cheaper foods like bread, potatoes, and fish. Necessary furniture such as a bed, table, and chairs was to stay in the "sufficient budget", while an armchair, a desk chair, and a footstool, which were part of the rational budget, could be cut out.

To summarize, if, in the early 1960s, planners believed that people consumed according to scientifically defined rational norms, and were thus supposed to be equal in their consumption, by the early 1970s, this was no longer the common view. Although

[191] TSDAVO. f. 4738, op. 2, d. 230.

the appearance of equality persisted, long-term plans described patterns of consumption, which were much more differentiated and dependent on personal taste and, most importantly, income. Equality seemed less feasible in the eyes of Soviet experts.

The Crisis of the Notion of Equality

Despite growing living standards and a drastic decrease in the level of material inequality, by the early 1970s, it became obvious that the Soviet economy was not working all that well. Economic growth rates were slowing down and wages and benefits were growing much faster than production rates, which in turn led to massive shortages.[192] In 1973, Natalya Rimanshevskaya wrote a major report describing what was wrong in the Soviet welfare system, and why it was important for the growth rates. Her report was addressed to the Presidium of the Academy of Sciences and entitled "Problems of the People's Material Well-being" (*Problemy narodnogo blagosostoianiа*).[193] The report argued that, in order to increase the general well-being of the population, the state needed to increase people's motivation to perform labor. The more people knew that enhanced performance would earn them more money, the better they would work, and thus the better the whole economy would function. This, in turn, would benefit all of society, Rimashevskaya explained.

For now, Rimashevksaya argued, social benefits that existed in the Soviet Union were killing differentiation and thus disincentivizing labor. Minimal wages were

[192] Mark Harrison, "Economic Growth and Slowdown," in *Brezhnev Reconsidered* (Springer, 2002): 38–67.

[193] ARAN, f. 1959, op. 2, d. 1104. By then Rimashevskaya worked in TSEMI, the Central Institute of Economics and Mathematics.

growing, she claimed, while the wages of the most qualified workers were not. As a result, people lacked motivation because they knew that even if they did not work well and did not improve their qualifications, they would still earn the guaranteed income. Most alarmingly, a decrease in high wages for people with higher education led to a decline in the prestige of higher education.

Another problem was that monetary benefits to some of low-income groups encouraged them not to participate in the labor force at all. For example, if a mother had multiple children, Rimashevskaya claimed, and thus could not work, the state should not give her a monthly pension so that she could stay home with her children. Instead, what the state needed to do was provide her with childcare facilities so that she could leave her children there and go to work and thus contribute to the economy.

Other monetary benefits, on the contrary, could help increase production, but they needed to be much higher than the ones currently on offer, according to Rimashevskaya. Those citizens who were not able to work, such as old people and students, were dependents of working adults. For now, social security payments to those people were too low, which meant that working people had to support them. As a result, working people could not enjoy their full salaries, which in turn lowered their motivation. The state had to increase pensions and student fellowships so that working people could keep all their wages to themselves.

All in all, Rimashevskaya argued, the Soviet social security was not working properly and prevented economic growth. A lot of social scientists had similar thoughts. In 1974, Vadim Rogovin, a philosopher and senior researcher at the Institute of Sociology, wrote a report to his superiors entitled “The Perspectives of Raising the Level

of Socially Guaranteed Minimum of Goods and Services."[194] He attacked another part of the Soviet welfare system, namely the "public consumption funds" (OFP).

Each individual in the Soviet Union was both a worker and a citizen, Rogovin explained. As a worker, he received his salary, which corresponded to how much and how well he worked. As a citizen, he was guaranteed a certain amount of services for free just because the USSR was a socialist state. But was it reasonable, Rogovin asked, to provide all citizens with the same level of services for free regardless of their income?

Another problem with the OFP, according to Rogovin, was that now it was provided to people through their place of work. Housing and resort vouchers, for example, were distributed by branches (*vedomstva*) where people worked. But branches had unequal resources, and as a result, the level of services provided was not the same. Sometime, those who earned a low income, often in a low-status branch, received free services of poor quality, while those with high wages received free services of the best quality available. This led to even further inequality, one that had nothing to do with differences in labor productivity.

What Rogovin suggested instead was to introduce a "socially guaranteed minimum," which would be offered for free, while everything which was beyond the basic level had to be paid for from one's own income. "If, for someone, the minimum was not enough, they would have to pay for it out of their wages. For example, if one wants to book a room in a sanatorium, they could get a room with minimum comfort for free. If instead they had money and wanted more comfortable accommodations, they should pay for it. On the one hand, this would not contradict our principle that those with

[194] ARAN, f. 1977, op.2, d. 69.

low-income should get all the goods they need. On the other hand, this would stimulate labor because people would know they could spend their money on more comforts."

To summarize, by the mid-1970s many Soviet experts came to conclude that the expansion of the welfare system was not beneficial for the economic system. They also acknowledged that absolute equality in the sphere of consumption was not possible. As soon as mere poverty was overcome, the welfare mechanisms did not work as planned, according to some of the Soviet experts, and it was time for reform in the economic development of Soviet society.

Conclusion

Between the late 1950s and early 1970s, the Soviet government paid a great deal of attention to the material needs of its citizens. The government founded various research institutions to learn how people really lived, and introduced a great deal of welfare benefits to those in need. All this led to rising living standards and falling material inequality. However, people's income and benefits grew much faster than the production rate and some experts claimed, that the lack of material incentives led to a slow-down in productivity. By the 1970s, a certain level of stability was achieved; but this stability also led to consumer shortages because of the creation of excess cash and thus growth of the black market. The expansion of the black market in turn, as I show in the following chapters, led to new forms of economic inequality and to a deeper economic crisis for the whole Soviet system.

Chapter 3. Political, Cultural and Academic Elite: "Well-Deserved" Wealth and its Evolution in the Late Soviet Union.

In 1952, Sergei Mikhalkov, a renowned Soviet poet and author of the Soviet anthem, wrote a poem called "*Smena*" ("New Generation"). In this poem, he describes how a group of young children cross a roadway, and as they do so, how all the drivers stop their cars to let the children pass. The drivers look at the children and think how these children represent the new generation, how they are the ones who would one day continue the cause of their fathers.

What is interesting in this poem is that passenger cars were still rather rare in the Soviet Union at that time. Most cars from the early Soviet period were trucks, and the rare passenger car usually belonged to state institutions, lent to high officials with drivers to use for work.[195] Some people were able to buy private cars, and there were even a few Soviet brands (Zil, Chaika, Pobeda, Volga and Moskvich), but private cars were still considered a luxury. In his poem Mikhalkov, surprisingly, not only decided to set his poem on the roadway but also provides a lot of specific information about the drivers. He writes:

In a green *Zil-110*, by his driver,

Sits an old academic.

In a *Chaika* – a grey-haired general,

With his driver and his aide.

[195] In the early 1950s a few thousands of people in the Soviet Union possessed a car. Siegelbaum, "Cars for Comrades"; Tverdiukova, "Lichnyii avtomobil'," 166-177. For 1930s: Valery Lazarev and Paul R. Gregory, "The Wheels of a Command Economy: Allocating Soviet Vehicles," *The Economic History Review* 55, no. 2 (2002): 324–348.

In a beige *Volga* – a miner from Donbass,

A renowned worker of a high class.

In a gray *Pobeda* – a famous violin player.

And in a *Moskvich* – a doctor.[196]

As we can see, Mikhalkov mentions two types of Soviet passenger car users. One consisted of those entitled to use a state car with a driver: the members of the academic and military elite described in the poem. The second consisted of those who drove their own private cars: the high-qualified worker, musician, and doctor featured in the poem. So how accurate is the picture Mikhalkov describes? Were miners and academics indeed among those privileged few who could use a car in the Soviet Union? Were there any other categories of car-owners or car users which Mikhalkov does not mention? What does it tell us about the Soviet social hierarchy? And finally, how did this hierarchy and car ownership as a symbol of luxury change during the late Soviet period? In this chapter I use car ownership and other luxury good consumption as a prism to explore material benefits provided by the Soviet state to certain categories of people, the principles by which scarce goods were distributed, and their evolution over time.

When we think about privileged consumption in the USSR, the group which comes to mind first is the *nomenklatura*: high Communist Party and state officials, who were rewarded for their loyalty with material perks. Interestingly enough, among the car

[196] Sergei Mikhalkov, "Smena," *Sobranie sochinenii*, vol. 1. (Moscow, 1981): 194.

In the original: *"V Zile 110, v mashine zelionoii // Riadom s voditelem – staryii uchionyii. // V "Chaike" – sedoii general-leitenant, // Riadom s shofiorom ego adiiudant. // V bezhevoii "Volge" - shakhtior iz Donbasa, // Znatnyii zaboiishchik vysokogo klassa. // V seroii "Pobede" – izvestnyii skripach, // I v "Moskviche" – vrach".*

users mentioned in Sergei Mikhalkov's poem, no one was a member of political elite, save perhaps for the military general. Why is it so? I will start this chapter by examining the perquisites of the political, cultural and academic elite under Stalin. This chapter also looks at the vanguard social group of the Soviet project, namely workers, to see if at least some of them were really able to buy private cars and enjoy other luxurious items. Finally, this chapter shows how this social hierarchy had been changing over time and which factors contributed to those changes. I argue that in the 1970s and 1980s the old, political, cultural, and academic elite was being complemented and sometimes even edged out by the new elite, those who could get their material well-being not as perks from the state but rather from their monetary, often illegal, earnings.

Privileges of the Political Elite under Stalin

Before 1926 the wages of the Soviet state officials were on average lower than the wages of the workers, especially of those in heavy industry.[197] This was part of the official Bolshevik strategy aimed at fighting the inequalities of the pre-revolutionary era in favor of the working class. However, in 1926, officials' wages began to grow disproportionately, and by 1935 they were, on average, 30% higher than those of workers. In 1934, the party maximum - a rule, which stated that Party officials could not earn more than a certain amount of income - was abolished, and high party officials started to earn high wages.[198] Around the same time, wages of ministers and regional leaders became 3-4 times higher than the average wage. Some party and state leaders

[197] Il'ukhov, *Kak platili bolsheviki,* 358

[198] Il'ukhov, *Kak platili bolsheviki,* 350-351, 359.

were often getting what was called "a personal wage," i.e. wage calculated not according to a certain tariff system but arbitrarily [199] Besides high salaries, representatives of the political elite were getting better state housing, provided better food through the system of closed-access stores and cafeteria, and allocated cars with drivers, as described in Mikhalkov's poem. When there were shortages, they enjoyed priority access to sought-after consumer goods.[200] The rationing system of distribution which existed in the Soviet Union in 1929-1935 and then again in 1941-1947 further eased the privileged provision of the political elite. It prescribed that people performing important political tasks received more rations than other groups.[201] In the late 1940s and early 1950s when rationing was abolished, the political leadership started receiving unofficial monetary additions to their salaries (so-called *konverty*, "envelopes").[202]

The creation of special settlements of dachas (country houses) for the state and party nomenklatura began in the 1920s but entered the full scale in 1930s. Steven Lovell suggests that Joseph Stalin's decision to move to a state dacha in Zhukovka near Moscow in 1934 spurred this trend.[203] After that, many of Stalin's colleagues started building dachas in the same area (the territory from which dekulakized peasants were deported shortly before that). Soon, Zhukovka became known as a dacha destination for secret police officers, including the head of the NKVD Nikolai Ezhov.[204]

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[199] Il'ukhov, *Kak platili bolsheviki,* 359.

[200] Gorlizki and Khlevniuk, "Substate Dictatorship": 99-105.

[201] Osokina, *Our Daily Bread* part 2, chapter 1.

[202] Yuri Zhukov, *Stalin: Taiiny Kremlia* (Moscow, 2008):476.

[203] Lovell, "Summerfolk" chapter 5.

[204] Adrian Rudomino. *Legendarnaya Barvikha*. Moscow, 2009.

In the late 1940s, the building of personal dachas for the nomenklatura enjoyed a second push. The Central Committee of the Communist Party created several settlements near big cities, which included not only homes but also cafeterias, medical clinics, laundry services, grocery stores, cinemas, and tennis courts. [205] In 1950, there were 13 such settlements, which included personal dachas and rest homes (*doma otdykha),* where officials and their families could rent a room (1000 families in total). Some dachas were fixed for certain families, while others were allocated to various families by their requests only for certain periods of time. These dachas included a housekeeper, a billiard room, and a fireplace, among other things. In the most privileged settlement in Gorki, near Moscow, there were 428 servants employed in 1949.[206]

After World War II, another important social group began to receive material benefits: military officers. Between 1945-1947, military commanders were granted personal dachas with huge pieces of land: generals received plots from 0.75 to 1.25 hectares in size, while senior officers received plots that measured about 0.5-0.7 hectares.[207] For the military commanders, these dachas became their private property. But for political figures these material possessions were often only loans. For example, the son of Lavrentii Beriia, the Minister of Interior Affairs and the head of the secret police, recalled that the family had a large dacha outside of Moscow and a car with a chauffeur, all of which were taken from the family when Beria was arrested in 1953. [208]

[205] Lovell, *Summerfolk*, chapter 5.

[206] Lovell, *Summerfolk*, chapter 5.

[207] GARF, f. 5446, op. 98, d.1109; 1110.

[208] Voslenskii, «Nomenklatura».

It is also important to note that representatives of the political elite were advised not to boast of their wealth too much. If their behaviors provoked public resentment, especially among the regional elite, they could have been punished by the central authorities.[209] However, severe punishments were rare. As Edward Cohn has shown, when high-ranking Party officials were accused of, for example, using their positions to illegally build themselves dachas with materials presumably stolen from the state, the Commission of Party Control (KPK) allowed offenders to walk free as long as they confessed to their crimes[210]. It is also telling that, as we saw from Mikhalkov's poem, material benefits enjoyed by the political elite were not to be discussed in the popular culture.

Sheila Fitzpatrick noted an important contradiction. On the one hand, in the Stalin era, public discourse began to promote consumption and even a luxurious lifestyle within the framework of cultural consumption (*culturnost')*. According to this framework, in order to be "civilized," one ought to have a certain level of consumer culture. Lavish official dachas were to some extent part of this paradigm. On the other hand, however, "enemies of the people," when they were denounced in the Soviet press, were sometimes also condemned for leading an excessively luxurious lifestyle: living in high-end apartment or using state cars for their own entertainment. This public discourse emphasized that the new bureaucrats who replaced these "enemies" were far more

[209] Gorlizki and Khlevniuk, "Substate Dictatorship": 99-105.

[210] Edward Cohn, *The High Title of a Communist: Postwar Party Discipline and the Values of the Soviet Regime* (Cornell University Press, 2015): 140; on abuse of office by high Party officials for the construction of personal homes (with a separate room for a housekeeper, a hall with billiard tables and sometines even a pool) see also Tatiana Nikonorova, "Konstruiruiu Roskosh': Bytovoe Prostranstvo Sovetskoii Nomenklatury, 1940–1952 Gody," *The Soviet and Post-Soviet Review* 43, no. 2 (2016): 219–42.

modest, their habits much more in line with a socialist lifestyle.[211] Thus, the maerial comfort of the political elite was an ambigious issue.

Privileges of the Cultural Elite under Stalin

The Soviet Union was proud of its unprecedented numbers of theaters, art exhibits, concerts, and films produced, that were said to "serve audiences" and contribute to the high cultural level of Soviet society, which was important as a showcase for the West. One part of this policy was the high remuneration that members of the cultural elite, such as writers, musicians, and painters, enjoyed. This was especially so since 1930s when the concept of *kulturnost'*, mentioned above, was put forward, which implied that education entitled people to prosperity.[212] People who contributed to the country's cultural wealth were considered worthy of high material rewards.

The source of artists' material comfort was fourfold. First, the state commissioned literary works, musical pieces, and paintings, and paid large amount of money for them. Second, artists received royalties for the publication, performance, or display of their work.[213] For example, writers got royalties for each new edition of their books.[214] Third, artists were supported by the so-called *fondy* (*Litfond, Muzfond, and Khudfond*) of the Creative Unions, the Unions of Soviet Writers, Soviet Artists and Soviet Composers,

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[211] Fitzpatrick, "Becoming Cultured": 230-231.

[212] V. Volkov, "The Concept of Kulturnost»: Notes on the Stalinist Civilizing Process' in Stalinism: New Directions," ed. Sheila Fitzpatrick (London, New York, 2000).

[213] Royalties were paid by the All-USSR Administration for the Preservation of Authors' Rights (VUOAP). In 1938 there were eight thousand writers, playwrights, and composers getting royalties. (Tomoff, "Creative Union")

[214] *Ideologicheskie komissii TsK KPSS, 1958–1964: Dokumenty* (Moscow: ROSSPEN, 1998),

p. 152

which were set up in 1932-34 to manage cultural activities. *Fondy* were created to provide the union members with all sorts of non-monetary benefits, such as housing, creative retreats (*doma tvorchestva*) (staying for up to months per year in those were fully covered), medical clinics, and restaurants. For example, starting in 1945, Leningrad writers who were members of the Union of Writers received vouchers to attend weeks-long creative retreats in Komarovo, near Leningrad, and in Riga, the capital of Latvia.[215] During World War Two, writers also enjoyed the largest rations available.[216] The fourth potential source of artists' material wellbeing consisted of prizes and honorary titles. For example, the title of the People's Artist of the Soviet Union (Narodnyi artist SSSR), established in 1936, entailed material benefits like better housing and larger retirement pensions. The Stalin Prize, announced at the end of 1939 in honor of Stalin's sixtieth birthday, was presented to individuals for accomplishments related to science, literature, arts, architecture, and technology and came with a large cash payment ranging from 25,000 to a 100,000 rubles.[217]

With high earnings from commissions, royalties, and prizes, artists could build private dachas and buy cars. But even these perks were often partially subsidized by *fondy*. For example, dachas for famous writers in the town of Peredelkino, near Moscow, which started being allocated in 1934 following the decision of the first Congress of the Union of Writers, were partially funded both by *Litfond* and writers themselves.[218] In 1947, famous composers such as Reinhold Gliere, Aram Khachaturian, and Dmitri

[215] Piotr Druzhinin, *Ideologiia i filologiia: Leningrad, 1940-e gody. Dokumental'noie issledovanie*, vol. 1 (Novoe literaturnoe obozrenie, 2012): 215.

[216] Druzhinin, "Ideologiia i filologiia": 213.

[217] Tomoff, "Creative Union": 236

[218] Lovell, *Summerfolk*, chap 5

Shostakovich bought personal cars partially subsidized by Muzfond.[219] Thus, the cultural elite enjoyed both the high earnings and the special benefits from the state.

Interestingly, while prizes, commissions from state institutions, and benefits from the fondy were coming "from above," royalties reflected cultural figures' growing popularity among the general public. Kirill Tomoff argues that royalties thus represented an illegitimate source of income, as understood by the state and some of the creative workers themselves. There existed internal tensions within creative unions regarding the juxtaposition of legitimate material comfort coming from the state versus suspicious material comfort coming from the popularity.[220] This juxtaposition would become even more important in the later Soviet period, as we will see below.

The late 1940s saw further improvement in artists' financial positions. First, the wages of the top officials working within the country's artistic organizations increased dramatically. For example, the President of the Academy of Arts, founded in 1947, enjoyed a 20 thousand ruble monthly salary, while his deputies 15 thousands. The head of the Union of Writers received 7000 rubles, while the editors of famous thick journals like *Novyii Mir* and *Znamia* received 6000 rubles. Wages of certain singers of the Bolshoi Theatre ranged from 5 to 7 thousand rubles.[221] For comparison, 6000 rubles was the wage received by the heads of the Party Central Committee departments. As far as ordinary people were concerned, their wages were 10-20 times smaller. In the late 1940s, the average wage clocked in at 600 rubles.[222]

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[219] Tomoff, "Creative Union": 218.

[220] Tomoff, "Creative Union": 232-236.

[221] Zezina, "Sovetskaia khoudozhestvennaia intelligentsia"

[222] *Sovetskaya zhizn', 1945–1953*. (Moscow, 2003): 501.

Of course, on a national scale, artists remained small in number. In 1951 there were about 58 thousands of the workers of literature and arts according to the Central Committee.[223] By 1966, these numbers grew twice in all of the groups.[224]

Of course, there was a certain hierarchy among the cultural elite, in which the most famous, those most favored by political leaders, top administrators of the unions' governing bodies, and those living in Moscow and Leningrad were better off than rank and file writers or painters.[225] As the literary critic Lidia Ginzburg noted in her diary in the late 1940s, after the war, most artist benefits varied not from a hut to a palace but rather from a room in a communal apartment to separate 3 room apartment.[226] However, artists enjoyed benefits that far excessed the postwar standard, all while the majority of the Soviet population lived in poverty.[227]

Privileges of the Academic Elite under Stalin

Despite the hostility of a huge part of the scientific community to the Bolshevik Revolution, the Soviet state from the very beginning provided scholars with privileges such as enlarged food rations and immunity from confiscation of houses and apartments.[228] However, before 1930, the wages of those working in higher education remained rather low. Professors, for example, earned the same income as

[223] Zezina, "Sovetskaia khoudozhestvennaia intelligentsia": 54-69

[224] *Narodnoe khoziaistvo v 1960 godu*. Moscow, 1961.

[225] Vera Tolz, "'Cultural Bosses' as Patrons and Clients: The Functioning of the Soviet Creative Unions in the Postwar Period," *Contemporary European History* 11, no. 1 (2002): 87–105.

[226] Lidia Ginzburg, *Zapisnye knizhki* (St.Peterburg, 2002): 234-235, cited in Druzhinin, "Ideologiia i filologiia": 212.

[227] Elena Zubkova, *Russia After the War: Hopes, Illusions and Disappointments, 1945-1957* (Routledge, 2015); "*Sovetskaya zhizn'"* (2003).

[228] Nikolai Krementsov, *Stalinist Science* (Princeton University Press, 1996): 17-18,

school teachers. In the 1930s, these wages started to grow. Moreover, in the period of rationing academic elite received higher quotas[229]. In 1936, the intelligentsia was fully legalized as a separate class according to Stalin's constitution.[230] As a result, the wages of members of the Academy of Sciences were radically increased.[231] Degrees started to matter: "candidate of sciences" began to earn 500 rubles in addition to their salaries, while "doctors of sciences" started to receive salaries as high as 1500 rubles.

One more increase came after the war. As in the case of the cultural elite, scholars became the group with the highest official wages. Wages of professors and doctors of sciences grew threefold.[232] Compared to the pre-war period, the salary of a doctor of sciences heading a laboratory in the Academy of Sciences was now almost twice that of a rank-and-file official in the Central Committee apparatus.[233] In 1947, various unpublicized decrees allowed full and corresponding members of the Academy to dine in special restaurants, use special hospitals and sanotoriums established for the government and party apparatus, and receive pensions equal to those of the highest state officials [234] They were also allowed to build personal dachas in Zhukovka (the dacha settlement reserved for the political elite), of the size of the dachas of the generals (0.5 hectare)[235]. For example, Andrei Sakharov, the famous physicist and future dissident, received a dacha there after he created the hydrogen bomb.[236]

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[229] Osokina, *Our Daily Bread* part 2, chap. 1.

[230] Tromly, "Making the soviet intelligentsia".

[231] Il'ukhov, *Kak platili bolsheviki,* 365-370

[232] Druzhinin, "Ideologiia i filologiia": 217-234.

[233] Krementsov, *Stalinist Science*.

[234] Krementsov, *Stalinist Science*.

[235] Lovell, *Summerfolk,* 200

[236] Rudomino, "Legendarnaya Barvikha".

Khrushchev's Struggle against Privileges

When Nikita Khrushchev came to power, he realized that the vast majority of the Soviet population lived in poverty and very few enjoyed a "luxurious" lifestyle. People wrote indignant letters to the authorities claiming that they did not have enough to eat and asking why some people enjoyed privileges while others did not (see chapter 2). Khrushchev decided to respond to these concerns. In October 1955, he sent a note to the Presidium of the Central Committee entitled "On Wage Regulation" (*Ob uporiadochenii zarabotnoi platy*), in which he suggested that the Committee work on getting the wage situation "back in order" (*navesti poriadok*). [237] He explained that while many people could not make ends meet on their wages, many others - mainly "representatives of the intelligentsia" - enjoyed wages which were too high. This discrepancy created resentment among the population and had to be addressed, he noted. For highly paid workers, Khrushchev explained, it was reasonable to "still provide these people with a certain level of comfort (*obespechennost'*) but to be sure not to create 'excess' (*izlishestva*), because excess led to unhealthy phenomena."

There was also a campaign against those "excess" in press. For example, in March 1954, *Komsomol'skaia Pravda* published a feuilleton attacking Nikolai Virta, a writer and Stalin prizewinner, who had recently moved to the countryside, allegedly to be closer to the subjects of his novels. He promised to contribute money towards building a cultural center in the village, but in the reality the only thing he built was a fancy two-

[237] A. Artizov and N. Tomilina, eds., "Zapiska N. S. Khrushcheva v Presidium TsK KPSS Po Voprosam Uporiadocheniia Zarabotnoi Platy i Pensionnogo Dela," in *Dva Tsveta Vremeni: Dokumenty Lichnogo Fonda N. S. Khrushcheva*, vol. 2 (International fund "Democratia," 2009): 277–81.

story dacha with a private generator (the village lacked electricity). As a result, Virta was expelled from the writer's union for "amoral and antisocial acts incompatible with the calling of Soviet writer."[238] Another feuilleton published in *Pravda* in January 1955 mocked a singer at the Bol'shoi Theatre who earned 126,000 rubles for just 14 performances.[239]

After the Twentieth Party Congress of 1956, actual measures were indeed taken to address these concerns. In his report to the Congress, Khrushchev acknowledged that, currently, some workers earned excessively high wages, for which "there was no excuse." To rectify this problem, the Party promised to "secure the proper ratio for different groups' wages so that they correspond to their qualifications and to the difficulty of the labor being performed."[240] As a result, the practice of *pakety*, regular unofficial monetary supplements to the wages of certain categories of higher-ups, was abolished.[241] The number of cars and drivers allocated for state institutions decreased; from now on, only ministers and Central Committee secretaries could use state cars with drivers. Khrushchev explained that it made no sense for a ministry to allocate a separate car for each high official, because these cars typically ended up idling in vain, sometimes for an entire day, waiting for their bosses. What Khrushchev suggested instead was to significantly reduce the number of cars "tied" to each ministry, and create a kind of a taxi service for state institutions so officials could call a car whenever they needed to go

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[238] A. Sukontsev and I. Shatunovskii, "Za golubym zaborom," *Komsomol'skaia Pravda*, March 17, 1954, cited in Ironside, "A Full-Value Ruble": 134.

[239] "Na verkhnem 'do'," *Pravda*, January 9, 1955, 2. Cited in Ironside, "A Full-Value Ruble": 135.

[240] "Prodolzhenie doklada tovarishcha N. S. Khrushcheva; polnee udovletvoriat' rastushchie material'nye potrebnosti naroda," *Pravda*, February 15, 1956: 7.

[241] Sergei Khrushchev*, Pensioner soiuznigo znacheniia.* (Moscow, 2010): 16; A. B. Konovalov*,* "Modernizatsiia sistemy nomenklaturnykh l'got I privilegii: opyt khrushchevkikh reform (1953- 1964 gody)," *Istoricheskii ezhegodnik sibirskogo otdeleniia rossisskoi akademii nauk* (2007): 6-20.

somewhere.[242] Chaika cars were also replaced with less expensive Volgas. Khrushchev's son later recalled that his father had also created a special commission within the Central Committee, one which was mandated to close special-access stores for elites (*raspredeliteli*), though this commission did not fulfill its goal and ceased to exist right after Khrushchev's ouster in 1964.[243]

In July 1960, the Central Committee decided it was "unreasonable" to allow individual dacha construction. In December of that year, the decree of the Council of Ministers of the USSR banned the allocation of private plots for individual dacha construction, and for the purchase of dachas as a whole.[244] The size of private dacha plots given to military commanders, as well as cultural and academic figures, was reduced in 1956, then again in 1958, and one more time 1963. As a result, these plots became three times smaller (but still rather big, i.e. 0.25 hectares for generals and 0.15 hectares for senior officers). The Council of Ministers of the Republic of Georgia asked in 1963 if the new rules applied only to the newly allocated plots, or to plots allocated in the past. The Council of Ministers made request to various ministries to know their opinion. The Ministry of Agriculture and Gosplan thought it was a good idea to indeed confiscate the excessive land from the plots allocated before the passage of the new laws.[245] The

[242] Elena Tverdiukova, "Kampanii po uporiadocheniu pol'zovania sluzhebnymi avtomobiliami v SSSR (konets 1950-kh-1980-e gg.)," *Zhurnal issledovanii sotsial'noi politiki* 17 no. 2 (2019): 263-266. Tverdiukova explains that these measures were not effective because the ministries cheated trying to leave as much cars to the ministry as they could, and even sometimes selling the cars that they had to get rid of, to themselves through consignment stores etc.

[243] Sergei Khrushchev, "Pensioner soiuznigo znacheniia": 16.

[244] Postanovenie Soveta Ministrov SSSR, 30 dekabria 1960 goda, no. 1346 "Ob individual'nom stroitel'stve dach " (SP SSSR, 1961, no. 1, art. 2). GARF, f. 5446, op. 98, d.1110, l.37; GARF, f. 9474, op.32, d.4; d. 194.

[245] GARF, f. 5446, op 98, d.1109, l.12-17

Ministry of Defense disagreed, saying the laws should not have a retroactive effect.[246] At that point, Khrushchev decided that Georgia had to make its own decision by "taking into account the expressed opinions." The following year, the legal commission of the Council of Ministers of the USSR wrote a classified letter to the Council of Ministers stating that the relatively small number of dachas belonging to the Ministry of Defense, the KGB, and the Academy of Sciences should not be subject to any cuts.[247]

According to a survey conducted at the request of the Council of Ministers of the USSR, in 1961, there were only 4,114 personal dachas with especially big plots. Those were located mainly near big cities like Moscow, Leningrad, and Odessa (on the Black sea coast). Their size ranged from 0.25 to 1 hectares; for comparison, private plots owned by ordinary people to grow produce had to be no more than 0.15 hectare, later in the 1970s reduced to 0,06 (see more in Chapter 4).[248]

The perks of the cultural and academic elite were also reduced after 1956. In 1957, a decree titled "On compensation of labor of the research workers" (*Ob oplate truda rabotnikov nauki*) was adopted, according to which scholars' wages were reduced. Wages of the members of the Presidium of the Academy of Sciences shrunk fourfold.[249] Between 1957-58, royalties for writers and composers declined.[250] The wages of the administrators in the Academy of Arts were reduced more than twice: the wage of the head of the Academy dropped from 20,000 to 8,000 rubles, while the wages of his

[246] GARF, f. 5446, op. 98, d. 1109, l. 18

[247] GARF, f. 5446, op. 98, d. 1110, ll. 1-5

[248] GARF, f. 5446, op. 98, d. 1110, l.34.

[249] Maria Zezina, "Rezhim Privilegii Dlia Nauchnoi i Khudozhestvennoi Intelligentsii," in *Rezhimnyie Liudi v SSSR*, ed. T Kondratieva and A. Sokolov (Moscow: ROSSPĖN, 2009): 330-331.

[250] Zezina, "Sovetskaia khoudozhestvennaia intelligentsia": 66-69.

deputies decreased from 15,000 to 6,000.[251] State commissions for paintings and sculptures declined, too, as a part of the campaign of the "struggle against Stalin's excesses."[252].

Political Elite under Brezhnev

In the 1970s, salaries of top state and party officials remained high, but the ratio between those and the country's average wage diminished considerably. For example, in 1980 the first deputy chairman of Gosplan earned a salary of 700 rubles, only 4 times more than an average wage.[253] Salaries of the heads of the Central Committee departments in the late 1970s clocked in at 650 rubles.[254] The wage of the first Party secretary of one of the Soviet republics, namely Georgia, was even smaller; for example, Eduard Shevarnadze received 600 rubles in 1976.[255] Lower-rank party leaders got much less: for example, first party secretaries from towns in Russia's Altai region earned an income of 300-350 rubles, just two times more than the average wage.[256]

In the 1970s, local Party organs often wrote letters to the Central Committee asking to raise employee wages. They usually explained that party wages were lower than the wages of ordinary employees of a given institution and thus it was hard to attract

[251] Zezina, "Sovetskaia khoudozhestvennaia intelligentsia": 66-69.

[252] On the struggle against excesses, see: Susan Reid and David Crowley, *Style and Socialism: Modernity and Material Culture in Post-War Eastern Europe* (Berg Publishers, 2000).

[253] GARF, f. 9542, op.1. d.212, l.62.

[254] Leonid Brezhnev, *Rabochie I dnevnikovsy zapisi*, vol.1, (Moscow, 2016): 749.

[255] SShSSA, f. 14, op. 51, d. 755.

[256] RGANI, f. 5, op.76, d.131, l.111; RGANI, f. 5, op. 88, d.71, l.21.

people to this work and keep them there.[257] For example, in a chemical factory in the city of Kemerovo in Siberia, party committee secretaries received only 170 rubles as their salary while ordinary workers got more than 200. The local obkom asked to raise the partkom's secretaries wages to at least 200 but got rejected[258].

Besides wages, state and party officials still had access to closed-access stores, cafeterias, tailor shops, and vacations spots (dachas for rent in special settlements or vouchers to rest homes (*pansionaty*) of high quality. In 1973, a total of 5.6 thousand people had the right to use the central Moscow cafeteria for the political elite (run by the Ministry of Trade of the RSFSR), while 53 thousand people had the right to use the special medical clinic in Moscow.[259] However, there was no clear idea of who exactly got the right to use those facilities though. The decision on that was taken up on an individual basis. Various institutions wrote letters to the Administration of the Council of Ministers (*Upravdelami*) asking to give access to some of their employees or employees' relatives.[260] For example, in July 1980 the Ministry of Agriculture asked the Council of Ministers to give to Nikolay Vavilov, famous agronomist and geneticist and the deputy Minister of Agriculture, the right to use dachas and a closed-access tailor shop. The Council of Ministers decided to give him access only to the tailor shop and not the dacha.[261] Viacheslav Timofeev, a writer and a retired military commander who was left disabled in World War II, asked the Council of Ministers to use the special rest home for a few weeks in the summer. In his request he explained: "Now I need comfortable

[257] RGANI, f. 5, op.76, d.131

[258] RGANI, f. 5, op.76, d.131, l.18.

[259] GARF, f. 5446, op. 107, d.1134, l.3.

[260] GARF, f. 9542, op.1. d.212.

[261] GARF, f. 9542, op.1. d.212, l.21-23.

conditions more than ever because with the help of the KGB I am working on film adaptation of my documentary novella "*Na nezrimom postu*."[262]. Ultimately, he received permission to use the rest home. Among other facilities, there existed even special daycare centers for the children and grandchildren of the elite. For example, in 1980, Natalia Stalina, Stalin's granddaughter, wrote a letter to the *Upravdelami* asking to enroll her 3-year old nephew Alexander to the childcare center "*Sosny*" of the Council of Ministers.[263] Thus, as the number of bureaucrats grew, the demand for the closed-access facilities exceeded the supply, and the decisions of who would get the spot were made individually, which left a lot of elite members disappointed.

This was especially true for pensioners. As the elite aged, more and more former officials retired, only the most connected ones managed to keep their perks. The case of Alexei Egorov is a telling one. Egorov was born in 1901 to a family of workers in a small village of Vladimir oblast', 200 miles east of Moscow. When he was 14 he moved to the city of Ivanovo to work in a factory. There, he got interested in revolutionary ideas and after 1917 joined the Red Army. When he got back to his native region in 1918 he became a Bolshevik Party member and was invited to work in the ChK/OGPU (secret police). In 1923 he was sent to Moscow to work in the headquarters of the OGPU. As a typical *vydvizhenets*, or upwardly mobile person, he took evening courses at the Communist University and later graduated from the law department at Moscow State University.[264] In 1935, he left his job at the OGPU and worked first in the Prosecutor's Office, then was a member of the Supreme Court, and finally, as a senior inspector of the

[262] GARF, f. 9542, op.1. d.212, l.25

[263] GARF, f. 9542, op.1. d.212, l.11.

[264] On *vydvizhentsy* see Sheila Fitzpatrick, "Stalin and the Making of a New Elite," in *The Cultural Front: Power and Culture in Revolutionary Russia* (Ithaca, NY: Cornell University Press, 1992): 49–82.

Ministry of Justice. In 1968, at the age of 67, he retired and continued to live in Moscow and work as a legal advisor at the Academy of Agriculture.[265]

In July 1973, five years after his retirement, Egorov wrote a bitter and resentful letter to Alexey Kosygin, the chairman of the Council of Ministers. Egorov explained that the right to use various facilities such as special cafeteria and clinics was often given to various officials and denied to Old Bolsheviks. This was all despite the fact that the latter needed it much more than the former given their age, and deserved it much more because of their feats during the Revolution and the early Soviet period. "When we worked in OGPU in 1920s and 1930s, Egorov explained in his letter, we did not think much about our personal well-being. We did not ask for cars or fancy apartments. We were completely devoted to the cause of the Revolution. But now that we are old, we are not rewarded for our feats. Our pensions are only about 60-100 rubles. A lot of us need a special diet, which could have been given to us by the Council of Ministers cafeteria but we are denied the right to use it."[266] He went on to explain that there was "a great deal of inequality and injustice" in the way this cafeteria was used: former apparatchiks of the Central Committee, who became members of the Party only in the 1930s could use it while the old Bolsheviks (those who joined the Party before 1918) could not. "In the last five years, Egorov concluded, we had a lot of important anniversaries, such as 50 year anniversary of the Revolution (1967) or 100th anniversary of Lenin's birth (1970). We expected to be rewarded somehow for all we did, but we got nothing." The response of

[265]GARF, f. 5446, op. 107, d.1134, l. 5; The biography of Alekseii Egorov. Accessed April 8, 2022. https://land.lib33.ru/site/publication/2787

Iz istorii Vladimirskoii oblastnoi partiinoi organizatsii (1890-1940). Accessed April 8, 2022. https://tsiplev.ucoz.ru/publ/kraevedy/podaruev_evgenij_dmitrievich/rodom_iz_melenkovskogo_vichkino/23-1-0-226

[266] GARF, f. 5446, op. 107, d.1134, l. 5.

the Council of Ministers was that everything was fine: the pensions of Old Bolsheviks were raised in 1967 and they were calculated fairly, based on their merits, age and family status. This story shows that it would be wrong to assume that all the members of the political elite loyal to the state enjoyed luxurious lifestyle in the Soviet Union. Special facilities to provide members of the elite with perks were scarce and even inside the elite there was a certain hierarchy. Moreover, as the elite aged, their right for privileges was challenged.

Even a more extraordinary story happened to Liudmila and Boris Kalininy in early 1980s. Liudmila and Boris were a couple in their seventies. Before they retired, they had been both in the military. They met in 1930s in the Armored Forces Academy, got married, joined the Party, and then both participated in WW2 as tank operators. They got to the end of the war as colonels with a lot of military awards and titles of war heroes. After WW2 they both worked in the Soviet foreign intelligence in Germany and the United Stated. When they returned to the USSR in the late 1950s they received an apartment in Moscow, bought a car and a small dacha in the storied dacha settlement of Zhukovka, where high-ranking Bolsheviks lived. In front of their dacha house they built a garage for their car and planted fruit trees, berry bushes, and roses. They kept working on their garden, especially when they retired in late 1970s. But then all of a sudden, in 1982, they saw bulldozers entering their private plot, destroying their garage and breaking their plants. When they, in panic, asked questions, bulldozer drivers explained they were working at the order of the local authorities and their task was to empty a certain territory

to build a concrete road, leading to a dacha under construction belonging to another important person. The person turned out to be the painter Ilya Glazunov[267].

Ilya Glazunov was a controversial figure. Born in 1930, he originated from noble Russian family. He graduated from the Painting Academy in Leningrad in 1957. As a student, he participated and won awards at the International Competition of Young Artists in Prague, which allowed him to have his own personal exhibition in 1959 in Moscow. The exhibit made him famous. The most surprising thing about his art was the fact that he not only avoided the official socialist realist style but even drew paintings on explicitly religious themes (something unacceptable in the Soviet Union) and focused his art on Russia's pre-revolutionary past rather than on its communist present and future. His style provoked enormous interest in his art not only among Russian nationalists (both dissidents and those among the elite) but also among broader audience both in the Soviet Union and abroad. The Western establishment was especially interested in Glazunov's oevre because they saw his art as an anti-Soviet project. Despite his popularity among foreign audiences, Glazunov was almost never persecuted by the Soviet authorities. Instead, he was allowed to draw portraits of employees of foreign embassies and even organize his exhibitions in Rome and Paris in the 1960s.[268] At the same time, he also had orders from the government to paint portraits of Lenin and Brezhnev for the Central Committee. From 1972-76, various Soviet institutions commissioned paintings from him, both internally and for export for about 100 thousand rubles (which made about 1600 per

[267] GARF, f. 259, op.48, d.8593, ll.20-23.

[268] *Apparat TsK KPSS i kul'tura*, *1958-1964. Dokumenty (Moscow: ROSSPĖN, 2005)*: 264-265; 743; Sergei Chuprinin, *Ottepel'. Sobytia. Mart 1953- Avgust 1968*. (Moscow, 2020): 728, 804-806; Ilya Glazunov, *Rossia raspiataya* (Moscow, 2017): 250.

month, 10 times average Soviet wage)[269]. Apparently, his earnings and connections allowed him to build a huge dacha in prestigious area outside of Moscow, reserved for the political elite, at the expense of the interests of the Old Bolsheviks who lived there, such as Kalinins.

After the Kalinins went to the local authorities to complain, their garage was restored, but the plants remained destroyed. As compensation, the Kalinins asked if they could connect their dacha to the gas and plumbing lines that the construction workers were connecting to Glazunov's house. The request seemed so obnoxious to the authorities (or to Glazunov himself) that the Kalinins were told that their dacha would be taken from them altogether on the pretense that it had been built illegally. Out of despair, the Kalinins wrote a letter to the newspaper *Sotsialisticheskaya Industria*. The journalist of the paper met with them, took down their story, and published it in the newspaper.[270] Besides retelling their story, the journalist also asked Kalinins's neighbors what they made of the situation. The neighbors told the journalist that "Kalinins had a lot of merit (*zaslug*)" but apparently their "rank" (*ranzhir*) "was not high enough." After the publication, the Kalinins were received by Ivan Arkhipov, the deputy head of the Council of Ministers. He assured them they could use their plot and would not be bothered anymore. However, the Kalinins were worried that their home could still be taken from them at any moment. In February 1986, they wrote a desperate letter to Vitaly Vorotnikov, the head of the Council of Ministers of RSFSR, asking to confirm on paper their right to own the plot. "We know it is forbidden now to build personal dachas. But we are not asking to build a new house on our land. We just want to know that our small

[269] RGANI, f. 5, op.69, d.2893, l.4-43.

[270] T. Snigiriova, "Rozy i Bul'dozer," *Sotsialisticheskaya Industria*, August 25, 1985, sec. Na temy morali.

plot stays with us. We cannot understand why this is happening to us, renown party members and war heroes, especially on the 40th anniversary of the victory over fascism, for which we received medals."[271] As a result, the Kalinins were assured that they could keep their house and land.

This story illustrates un usual hierarchy that was in place in the late Soviet society. Counterintuitively, those who laid the foundation of Soviet power and then performed important state tasks were forgotten and ignored while those who engaged in seemingly "uncommunist" endeavors enjoyed material benefits because of their popularity among broader audience, including foreigners and with individual sympathizers inside the elite.

Finally, it would be wrong to argue that the members of the political elite were the only ones in Soviet society who were the beneficiaries of the closed-access system of material benefits. Actually, the whole system of Soviet social security, especially after 1950s, was based on the fact that all the Soviet citizens potentially had access to various special facilities, such as vacation sites or daycare centers through their place of work (as shown in Chapter 2). What made the *nomenklatura* peculiar was that their facilities were of a much better quality than those enjoyed by the rest of the population. As mentioned in the previous chapter, Vadim Rogovin, a Soviet philosopher and senior researcher at the Institute of Sociology, wrote in his 1974 report that benefits such as free housing and resort vouchers were provided to people through their place of work and since different branches had unequal resources, the quality of services varied. Oftentimes, those who earned a low income in a low-status branch received free services of poor quality, while

[271] GARF, f. 259, op.48, d.8593, ll.20-23.

those who earned high wages received free services of the best quality available, which led to even further inequality[272].

The Academic Elite in the 1970s

As Vladislav Zubok has shown, despite the 1960s utopian anti-material campaign of the intelligentsia against Stalinist perks and material inequality, a lot of those attacking those perks were themselves rather privileged.[273] Indeed, material privileges among the Soviet cultural and academic elite continued to exist. There were even new spheres in which these benefits manifested themselves. For example, in the early 1960s, a few closed cities for atomic research, such as Dubna near Moscow and Akademgorodok near Novosibirsk, were created. A Soviet sociologist Vladmir Shubkin recalled that in Akademgorodok, top academicians lived in two-story villas with many rooms and servants.[274] The famous Soviet economist and sociologist Tatyana Zaslavskaya recalled that when she moved to Novosibirsk in 1963 as a young researcher to work at a newly-found Institute of Economics and Organization of Production of the Academy of Sciences, she, her husband and two kids received a three-bedroom apartment, a luxury by 1960s standards.[275]

One of the highest monthly wages which existed in the Soviet Union in the 1970s was the one enjoyed by the director of the leading research institute of nuclear energy in

[272] ARAN, f. 1977, op.2, d. 69.

[273] Zubok, *Zhivago's Children,* 278-281.

[274] Zubok, *Zhivago's Children,* 278.

[275] Batygin and Yarmoliuk, eds., *Rossiiskaia sotsiologiia,* 138.

Moscow, the Kurchatov Institute. It constituted 800 rubles.[276] For comparison, the average monthly wage in the Soviet Union in 1980 was 168 rubles per month, making the Kurchatov Institute director's wage about 5 times higher than the average. [277]

Although the earnings of the academic elite were still high in the 1970s, it is still important to note that compared to 1930s and especially 1940s their status was less exceptional. The level of inequality in the country decreased, as shown above. An average wage in the USSR from 1961 to 1990 grew 3 times (from 81 rubles per month to 240) while the wages of the academic workers decreased in the late 1950s and remained at the same level thereafter.

The Cultural Elite under Brezhnev

The wages and benefits of the cultural elite in the 1970s remained rather high. However more and more cultural figures from this period were earning a great deal not because state perks but rather thanks to their popularity among audiences. An important contributing factor was the spread of television in the USSR. Thanks to TV, more and more actors, musicians, and other types of performers were becoming famous and thus had the potential to earn extra money through concerts.[278]

In 1976, the Central Committee asked the Committee of People's Control (*Komitet Narodnogo Kontrolia*) to inspect the earnings of popular singers (*estradnye*

[276] RGANI, f. 5, op.76, d.131, ll.55-57.

[277] *Narodnoe khoziaistvo v SSSR v 1980 godu*. Moscow, 1981.

[278] On the spread of television: Roth-Ey, *Moscow Prime Time*.

artisty).[279] Besides their monthly wage (those singers were usually employed by a concert agency or philharmonics in a given city), they were also invited to give concerts in other places all over Soviet Union and were receiving one-time payments for these concerts from the local concert organizations. As the Central Committee explained, this led to "unjustified high earnings" and "excesses." The report found that some of the singers earned 10 times more than their official salary.[280]

The Committee of People's Control inspected the earnings of the singers in various concert organizations in the RSFSR, Uzbekistan, and Azerbaijan, such as Sojuzkontsert, Roskonsert, Moskonsert, Uzbekkonsert and Azerkonsert.[281] They found that the concerts of the most popular singers attracted many people, and local organizations did their best to invite as many of them as they could. When they managed to organize many concerts and sell a lot of tickets, it allowed them to fulfill the plan in terms of the quantity of concerts and also to make profit. That is why they were using all possible means to make the famous singers come to their city or town. One of the ways was to promise to pay them a high fee. This was made by paying according to the highest possible "concert rate" and by adding "supplements" (*nadbavki*) to their regular concert fees, such as "supplements for masterly performances" ("*za vysokoe ispolnitelskoe masterstvo*")[282].

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[279] RGANI, f. 5, op.69, d.610, l.2-3. More about *Estrada*, see Tsipursky, *Socialist Fun*; MacFadyen, *Red Stars*.

[280] RGANI, f. 5, op.69, d.610, l.2-3.

[281] In total there were 153 various concert organizations in the country with local branches and there were 30 thousand singers employed by them. Some organizations were part of the Ministry of Culture of the USSR, some of them of the Ministry of Culture of a republic. There were also concert agencies run by GosTeleRadio, Trade Unions, and Komsomol: RGANI, f. 5, op.69, d.610.

[282] GARF, f. 9527, op.1, d. 5160, l.7.

Thus the singers agreed to host as many concerts as possible in various towns and cities to increase their earnings. For example, Iosif Kobzon, a singer from Moscow, earned on average about 3000 rubles per month by performing in concerts, while his official salary from Moskontsert was only 350.[283] The wage of Igor Granov, the leader of a band called *Golubye Gitary*, was 150 rubles, while his average monthly earnings through concerts reached 1000 rubles. These two were not exceptional, as the Committee of People's Control noted in its report. About one quarter of all artists employed by Moskontsert (around 500 people) were earning 2-3 more than their official monthly salary. The same was true in Azerbaijan, where 30% of pop-singers were enjoying 2-3 times more than their monthly salary. For example, a singer Muslim Magomaev from Azerbajdjan earned an official salary of 300 rubles, but when he spent 10 days on tour in the Sverdlovsk region, in the Urals, in July 1975, he gave 20 concerts and received a total of 2900 rubles.[284]

According to the Committee of Public Control, this situation was problematic because it was unclear which job was already covered by the singers' fixed monthly wages. If they were paid by their employer to give concerts, was it fair to compensate them (sometimes 2-3 times more) for their performances? Among other things, some experts from the Committee of People's Control argued that it was absolutely unnecessary to pay them supplements for high performance, as their high wages already assumed the quality of their performance was high enough[285].

[283] GARF, f. 9527, op.1, d. 5160, l.4. On the figure of Iosif Kobzon see: MacFadyen, "Red Stars".

[284] GARF, f. 9527, op.1, d. 5160, l.4.

[285] GARF, f. 9527, op.1, d. 5160, l.8.

The report of the Committee of People's Control was presented to the Central Committee and to the Council of Ministers, which, in turn, made a request to the Ministry of Culture asking it to take severe measures to put an end to these excessive earnings. The deputy Minister of Culture V.F. Kukharsky responded explaining that this sphere of art was relatively new and actively expanding and that was the reason for the lack of regulations. He promised to "get rid of the disbalance in the earnings of singers" and introduce certain norms, but the situation did not change much in the following years.[286]

By the 1970s, as people's wages grew, many become eager to spend money on entertainment like the concerts described above. Thus, the growing well-being of the Soviet society in the Brezhnev period, paradoxically, led to the new type of inequality. Elite wealth did not come only from the state (as it did under Stalin), but rather from the growing purchasing power of the broader population.

A similar case concerned the earnings of famous actors. They were earning rather high monthly wages and fees for acting in movies but in addition to that they were able to convert their popularity among audience into money in a semi-legal way, namely through meetings with fans. These meetings, surprisingly, were organized through the scientific society "Znanie." "Znanie," which existed since the 1940s and had branches all over Soviet Union, was supposed to organize public lectures on important topics with the aim of scientific enlightenment.[287] Most of the lectures were free of charge for the public, but some of them, especially those given by famous scholars, were ticketed events that

[286] GARF, f. 9527, op.1, d. 5160, l.9-10.

[287] More on "Znanie" see, Victoria Smolkin, *A Sacred Space Is Never Empty: The Spiritual Life of Soviet Atheism* (Princeton, 2018); see also the project of Alekseii Golubev "*The Popularization of Doubt: Scientific Literacy and Alternative Forms of Knowledge in the Soviet Union after World War II*".

allowed lecturers to earn a supplementary fee for their lecture.[288] In the 1970s, "Znanie" lectures became a form of entertainment rather than enlightenment. Most importantly, "Znanie" lecture halls were used to organize meetings between audiences and famous actors.[289] In these meetings, actors told fun stories about how a certain movie was shot and answered questions from the audience. As in the case of pop music, "Znanie" officials knew that these meetings would attract a lot of spectators who would purchase many tickets, which would be good both in terms of meeting ticket sale goals and also making a profit. That is why a lot of "Znanie" branches invited actors to give talks. Official "Znanie" reports characterized these meetings as "public lectures" designed as "propaganda of cinematic art." However, local newspapers when advertising these meetings explicitly called them "evenings with creative workers" (*tvorcheskie vechera*) emphasizing their entertainment appeal.

The Committee of Public Control reported to the Central Committee in December of 1985 about this suspicious practice. According to its findings, half of all ticketed "Znanie" lectures staged across the Soviet Union, they estimated, constituted "evenings with creative workers," or *tvorcheskie vechera*, not public lectures.[290] In Alma-Ata, in Kazakhstan, 34% of "Znanie" profit came from *tvorcheskie vechera*. The Committee's experts expressed concerned that "Znanie" was failing to promote scientific knowledge by hosting *tvorcheskie vechera*. Sometimes they worried about the ideological danger that these events posed, as actors who led them were free to talk on whatever topic they

[288] Since 1956 lecturers were paid depending on the length of the lecture and of the number of tickets sold: GARF, f. 9527, op.1, d. 5160.

[289] GARF, f. 9527, op.1, d. 8695.

[290] In total in Znanie there were 300 thousand lectures given per year, out of which only 14% (around 42 thousands) were paid lectures (for which the lecturer received a honorarium and tickets were sold) (GARF, f. 9527, op.1, d. 8695 l.29) which means that about 20 thousands lectures per year were by the actors.

wanted. They cited the case of Nikolay Olialin, an actor from Ukraine, who mentioned in his *tvorcheskii vecher* that Piotr Vrangel, a White Army officer, was a hero.[291]

But while ideological danger was rare, excessive earnings were seen as a major problem. For example, an actress Liudmila Chursina spent 7 days meeting with her fans in the region of Udmurtia in the Volga region through the "Znanie" society and received 600 rubles for those meetings, about twice her monthly wage. The actor Leonid Kuravliov received 500 rubles for his 4 "lectures" in the Arkhangel'sk region in the North of the RSFSR. "Creative workers (*tvorcheskie rabotniki*) should not receive as much as lecturers because there is no information content (*informativnost'*) in their performances," experts explained. "Sometimes it is just propaganda of their own achievements. Sometimes it looks like a stand-up comedy (*vecher yumora*)."[292] Often, these earnings allowed actors and singers to lead luxurious lifestyles, for example, to spend vacation on the high-class resorts intended for foreign tourists only. . For example, the hotel *Oreanda* in Yalta in Crimea, a high-class resort intended for foreign tourists only, often hosted singers Muslim Magomaev and Iosif Kobzon (mentioned above), as well as various actors such as Alexeii Batalov[293].

As average incomes grew, luxury goods such as cars became more scarce. Production could not cope with growing demand. As Lev Leshchenko, a famous pop-singer recalled in his memoirs, the problem for him was not earning the money but spending it. He explained that in order to buy something like a car through legal

[291] GARF, f. 9527, op.1, d. 8695, l.14.

[292] GARF, f. 9527, op.1, d. 8695, l.12.

[293]Aleksei Popov, "Osen' Inturista: ideologia, rekreatsionnaya stratifikatsia i «tenevaiia» ekonomika v poslednee sovetskoe desiatiletie," in *Poslednee desyatiletie socializma. Transformacionnye processy v GDR i v Sovetskom Soyuze* (Moscow: Novyj hronograf, 2016)

channels, he had to write a formal request to government to receive permission to do so because not enough cars were being produced.[294] Indeed, as I will show in the last section of this chapter, providing for the elite during the 1970s became a major problem, especially as more and more underground dealers acquired wealth and wanted to buy the luxury goods, previously reserved for the elite.

Car Distribution in the 1970s

So how did the consumption of the upper class fit into overall picture of Soviet consumption in the 1970s? Passenger cars sales represent a good illustration of how the Soviet system of distribution of luxury goods worked in this time period. While under Stalin, cars were owned by a very small circle of political, cultural, and academic elites, under Brezhnev, this consumer good became much more widely shared. However, they remained a scarce good, and there existed certain rules for distribution. In a capitalist setting, this problem would have been resolved by raising retail prices. In the Soviet Union, prices could not, and were not, raised for ideological reasons (see Chapter 6). As a result, other means of deciding how to distribute cars needed to be pursued.

In the 1950s, when private car ownership was still rare, waiting lists for cars were organized in special car stores, which existed in twelve cities across the Soviet Union.[295] As cars and their buyers became more numerous, cars started to be sold in more and more stores in various republics, and the main channel of distribution became one's place of work rather than the store (which allowed the government to have more control over the purchasing process). When a citizen wanted to purchase a car, they had to make

[294] MacFadyen, *Red star*, 181.

[295] Tverdiukova, "Lichnyii avtomobil'," 166-177.

a request at their place of work and place their name on a waiting list. Cars produced by Soviet factories and meant for sale to the population (foreign-made cars were not sold in the USSR) were allocated to be sold through various institutions and enterprises. Each year all ministries sent their requests to the Ministry of Trade of the USSR, in which they stated the number of cars they wanted for their employees.[296] The Ministry in consultation with the Council of Ministers of the USSR responded by allocating to a certain institution a certain number of cars, but usually a much smaller than the number originally requested.[297] After a certain ministry received a certain quota, it then had to distribute it to specific enterprises. Each enterprise, in turn, had to decide which specific employees from the waiting list would get the right to purchase Finally, the necessary amount of cars were then sent to the local car store (*avtomagazin*) together with a list of names of buyers who could be expected to come purchase the cars. Normally, a person waited for several years until he got the right to purchase a car. In the early 1980s, car prices ranged from 7000 rubles (40 times the average monthly salary) for the cheaper *Zhiguli* and *Moskvich*, to 10,000 rubles for a more prestigious *Volga*.[298]

Several principles dictated how the cars would be distributed. One of the groups which was considered privileged was workers, especially those who worked in hard industries. If in the 1950s only a few shock-workers ("Stakhanovites") were able to buy a private car, in the 1970s, many more workers enjoyed this specific privilege.[299] In the 1970s, worker wages increased, and as a result, more and more of them could afford to buy a car. Especially wealthy were highly-skilled miners in Siberia, who enjoyed the the same salaries as high party and state officials.[300] In 1976, *Ogonek* magazine published a photo essay centered on a coal mine, which zoomed in on a parking lot filled with

[296] GARF, f. 5446, op. 140, d. 1152, l.91.

[297] GARF, d.5446, op. 140, d. 1151, 1152.

[298] Gronow and Zhuravlev, "Soviet Luxuries from Champagne to Private Cars," 121-146.

[299] On the luxurious lifestyle of shock-workers in the 1930-1950s see Gronow and Zhuravlev, "Soviet Luxuries from Champagne to Private Cars," 128-132; Lovell, *Summerfolk,* 174; Lewis Siegelbaum, *Stakhanovism,* 226–231.

[300] Rubinov Collection b. 27 f. 61 39060.

brightly colored cars. The caption read: "After a shift, about 400 miners from the Kirovskaia mine sit at the steering wheel of their own automobiles."[301] This was not simply propaganda. Indeed, in 1979, 25,000 cars, or 2.5% of the total sale of cars that year, were sold to miners "as a stimulus" (*v poriadke pooshchrenia*) to increase coal production.[302] Next year, this number increased to 27,000 cars. There were also specific groups of workers who got priority. For example, in 1981, 9000 cars (1% of the total amount meant for sale) went to the builders of BAM (Baikal-Amur Mainline Railway).[303] BAM was a big construction project of railroad in Eastern Siberia, begun in 1974, and was heavily prioritized by the state.[304]

As seen from Ivan Bodiul's, the deputy chairman of the Council of Ministers of the USSR (and the former head of the Moldavian republic) marginalia, by the 1980s there was a sense that creative workers already had too many cars and that priority should be given to workers. On March 20, 1981, when he received a request for cars from the State Committee for Cinematography, Bodiul wrote: "All the main cinema people already own cars. The reserve [of cars] should be sent not to them, but to workers, especially those working in hard industry."[305] Similarly, in response to requests from the Union of Architects and from the Academy of Sciences, Bodiul wrote "I would like to note that the

[301] Cited in Jane Zavisca, "Consumer Inequalities and Regime Legitimacy in Late Soviet and Post-Soviet Russia" (PhD diss., Berkeley, University of California, 2004): 101.

[302] RGAE, f. 14, op.1, vol.5 d. 9190/3, l.8-14. The total amount of all cars meant for sale in 1981 was 900, 000: GARF, f. 5446, op. 140, d. 1152, l.93.

[303] GARF, f. 5446, op. 140, d. 1152, l.96.

[304] In total, hundreds of thousands of people participated in the construction of BAM over the years. C Christopher J. Ward, *Brezhnev's Folly: The Building of BAM and Late Soviet Socialism* (University of Pittsburgh Press, 2009).

[305] GARF, f. 5446, op. 140, d. 1151, l.35.

cars should be allocated mainly to workers employed by the most productive branches of the economy."[306]

Rural dwellers constituted another important priority group. Between 1970 and 1982, 40% of all cars allocated to the republics had to be sent for sale to the "specialists of agriculture and workers of the timber industry."[307] The goal of this policy was to increase incentives for collective farmers who grew produce on their private plots to sell their output to the state. When they sold it to the state (and not through collective farm market, i.e. directly to other citizens for free prices, which collective farmers usually preferred), they got the right to use the money to buy a car.[308]

As for the political elite, in 1981, only about 3000 cars (0.3% of the total number of cars in the Soviet Union at the time) were allocated for sale to party organ employees union-wide.[309]A certain quota was also reserved for the Ministry of Defense, the nuclear industry, and workers of education, science, and culture. Geographically, cars were distributed rather evenly: the number of cars distributed to each republic more or less corresponded to the distribution of the Soviet population in general: about half of all cars went for sale in the RSFSR, which accounted for 52% of the total Soviet population;[310] the Belorussian SSR received 37 thousands, or about 3% of all cars, while its population totaled 9.5 million people, or 4% of the union-wide population.[311]

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[306] GARF, f. 5446, op. 140, d. 1151, l.63.

[307] GARF, f. 5446, op. 140, d. 1152, l.99.

[308] For examples of car allocation in rural Ukraine, see TsDAVO, f. 288, op.9, d. 4958.

[309] GARF, f. 5446, op. 140, d. 1152, l.111.

[310] Census-wikipedia

[311] GARF, f. 5446, op. 140, d. 1152, l.131; census wiki. However Moscow received in addition a separate set of cars: Mosgorispolkom (local municipality of Moscow) got 37 thousands cars for sale in 1981, about 3% of all cars (the population of Moscow was about 8 mln).

Disabled people constituted yet another priority group who could purchase cars, particularly vehicles with hand control. Disabled people of the "first group" (a designation reserved for those with severe handicaps) could receive these specially retrofitted cars for free[312]; in most cases, they went to disabled WW2 veterans.[313] For example, Alexei Maresiev, a Soviet war hero and a former WW2 pilot, known for piloting a plane even after becoming a double amputee in battle against Nazi Germany, received a Zaporozhets for free in 1966 before upgrading to a new Moskvich in 1974.[314] Disabled people of the "second group" and "third group" (typically those with less serious disabilities) had to pay for their cars, yet they did enjoy priority on the waiting list for them.[315]

However, even with these priorities set so clearly, there simply were not enough cars to satisfy demand. It was well-known that enterprises had to choose the "top performers" (*peredoviki proizvodstva*) to sell them cars, but a big question always lingered: how to choose between those who qualified for this designation? One way to influence this decision was to write a letter to the authorities. People of various social standing who considered themselves worthy of receiving the right to buy a car often wrote to the Council of Ministers, or to Alexei Kosygin, the chairman of the Council of Ministers, personally, to try to persuade them to sell them a car and explaining the reasons why they thought they deserved it. Interestingly enough, these letters never asked the Council of Ministers to give the letter-writer a car free of charge. Rather, they asked for the opportunity to spend their own money for one. Sometimes they directly requested not just a car but the prestigious Volga specifically.

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[312] TsDAVO, f. 4604, op.2, d. 4639.

[313] In 1974 after a petition from a disabled Civil War veteran from Kazan', the decree which awarded hand control cars for free to disabled WW2 veterans was edited to include Civil War veterans: GARF, f. 5446, op. 108, d. 297, l.17. More on car sale to WW2 veterans see Luminita Gatejel, "Appealing for a Car: Consumption Policies and Entitlement in the USSR, the GDR, and Romania, 1950s-1980s," *Slavic Review* 75, no. 1 (2016): 135.

[314] GARF, f. 5446, op. 108, d. 297, l.21.

[315] TsDAVO, f. 4604, op.2, d. 4639.

Some of these requests were satisfied immediately. For example, in March 1979, Semion Babevskii, a writer and a receipient of the 1948 Stalin Prize, wrote to Alexei Kosygin personally. Babaevskii became famous in the late Stalin years as a socialist-realist novelist who wrote about the countryside.[316] In his letter to Kosygin, he explained that his novels were widely known both inside and outside of the Soviet Union. He was a Party member for more than 40 year and also held a position as a deputy of the Supreme Soviet of the USSR. As he was turning 70, he explained, he realized he needed a Volga car for two reasons. First, his work demanded that he make trips to various collective farms to gather material for his literary work. Second, his age had made it hard for him to use public transportation. In response to the letter, Kosygin reached out to the Ministry of Trade and asked them to satisfy Babevski's request immediately.[317]

Families with multiple children also had a priority. When Vladimir Bantseev, an engineer from the Siberian city of Novokuznetsk and a father of nine children, asked the Council of Ministers to allow him to buy a minivan so he could take his large family to their dacha, the Council of Ministers ordered the Ministry of Trade to satisfy his request.[318]

Usually, though, the requests were not satisfied immediately but rather sent to the Ministry of Trade "for consideration", meaning that the Ministry had to make the decision on its own. For example, in March 1984, Damir Gindullin, an engineer and inventor working on the Kalinin Machine Building Factory in the Siberian city of Sverdlovsk, wrote to the Council of Ministers of the USSR asking for permission to

[316] Katerina Clark, *The Soviet Novel: History as Ritual* (Indiana University Press, 2000): 190-209;

[317] GARF, f. 5446, op. 135, d.59,ll.1-2.

[318] GARF, f. 5446, op. 136, d. 344, l.3-7.

purchase a Volga.[319] In his letter, Gindullin justified his right to own a prestigious car by the fact that his inventions were used in 86 enterprises all over the country, which allowed those enterprises save about 417 thousand rubles each year. He explained that he tried to buy a car by simply placing his name on the waiting list maintained by the factory where he worked, but it turned out that the factory had been allocated only one car for sale per year, which meant he would not be able to buy a car for the foreseeable future. The official at the Council of Ministers who received this letter reached out to the director of the enterprise to solicit his opinion on this particular inventor. The director confirmed that Gindullin was very talented and that his inventions were broadly used in the industry. The director confessed, however, that the only Volga allocated to the factory for sale was already sold to another employee. According to official information, the whole Ministry of Aviation Industry (of which Gindullin's factory was a part) got 3300 cars per year, including only 160 Volgas; it was therefore unlikely that Gindullin would be lucky enough to receive one of them. However, the Council of Minister wrote a letter to the Ministry of Aviation Industry and to the Ministry of Trade asking them to consider this case jointly and "help if possible" (*po vozmozhnosti pomoch'*). We do not know the answer to Gindullin's demand, but it is very possible that he was offered to buy not a highly coveted Volga, but rather a more modest car, such as Zhiguli.

In 1980 36-year-old Tamara Maschenko, a worker from a tractor building factory in the Ukrainian city of Zaporizhe and a deputy of the Supreme Soviet of the USSR, also asked if she could buy a Volga. She explained that she worked in a factory for almost 20 years and received multiple medals for her labor. Tamara had a secondary education, was

[319] GARF, f. 5446, op.144, d.783, l.3.

not a member of the Party, was married, and had a child. Before becoming a deputy of the Supreme Soviet, she had been a deputy of the Zaporizhe local Soviet. In 1979, she already bought a Zhiguli, but in 1980, had recently sold it and was asking for permission to upgrade to a Volga. In response to her letter, a representative from the Council of Ministers decided to delegate the decision over whether to grant Maschenko's request to the Council of Ministers of Ukraine.[320]

Corruption and Changes in the Soviet Elite in the 1970s

During the 1970s, a wave of important social change was taking place in Soviet society. In addition to groups such as the political, cultural, and academic elite who had always enjoyed various material privileges, another, very different social group came to enjoy similarly lavish lifestyles: black marketeers. Members of this group earned a living not by way of their political loyalty or by contributing to the communist cause, broadly defined. Rather, they flourished through their illegal earnings. This new elite did not replace the old one, but rather coexisted alongside and sometimes merged with it (see Chapter 5).[321]

Members of this new elite often purchased on the black market the same prestigious items, which representatives of the old elite could receive only through their loyalty and connections. For example, more than a half of all cars bought by people who

[320] GARF, f. 5446, op. 140, d. 1155, l.1-3.

[321] The existence of these profiteers led to the illegal enrichment of some of the officials who were given bribes to make them turn a blind eye on the illegal activities (law enforcement; party and state functionaries etc). See more in Simis, *The Corrupt Society: The Secret World of Soviet Capitalism*; Clark, *Crime and Punishment in Soviet Officialdom*; Duhamel, *The KGB Campaign Against Corruption in Moscow, 1982-1987*; Gorlizki, "Scandal in Riazan: Networks of Trust and the Social Dynamics of Deception".

lived in the republic of Georgia in the late 1970s came not through regular retail scheme, but through consignment, i.e. second-hand, stores from all over the Soviet Union. It means that representatives of privileged groups, mentioned above, who bought cars through the official system, then resold them (at much higher prices) through these stores to those, who had the money but did not have access. As Eduard Shevarnadze, the head of the Georgian republic, explained in a letter to the Party Central Committee in Moscow, most cars used to be purchased through ordinary state retail chains with a recommendation from a buyer's place of work. Now, however, the majority of cars in Georgia were being purchased by people who travelled around the Soviet Union for the explicit purpose of buying used cars from consignment stores for high prices using illegally earned money.[322] For example, Albert Petrosyan, a man from Tbilisi, Georgia who worked as a designer in a shoe manufacturing factory, was arrested in 1973 for producing shoes from the state-owned materials that he sold on the black market. He, like many black marketeers like him, drove a Volga, which he apparently bought used through a consignment store, from someone who was able to buy it as a privilege.[323] The very fact that a simple shoemaker could purchase a prestigious car, which even representatives of the political, cultural and academic elite had to petition for, is remarkable.

The Soviet sociologist Gennady Andrienko found that, in the period from 1977 to 1982, the percentage of private car owners with a higher education decreased. He did not explain why, but we can assume that more and more people without university degrees -- such as people working in trade and services -- were acquiring cars, thus replacing

[322] SShSSA, f. 14, op.52, d. 714.

[323] GARF, f. 9747, op.33, d. 2764.

political, cultural and academic elite members in their role of traditional car owners.[324] Similarly, Erik Scott, in his study of Georgian cuisine in the USSR, mentions that a famous Moscow restaurant, Aragvi, that had, since the 1940s, been a place for the Soviet party and artistic elite "to engage in ideologically sanctioned conspicuous consumption," had become a place for black marketeers by the 1970s.[325]

Oftentimes, corrupt officials were the ones who provided the new black market elite with goods. In 1979, Viacheslav Voronkov, the head of the city of Sochi on the Black seashore, was arrested under charges of bribery. Among other things, he was accused of taking bribes for giving his permission to sell private cars to various people outside of the waiting lists. For example, in 1973, he received 2500 rubles from a certain Egorov, a bartender who worked in the Sochi restaurant "Primorsky", for the right to buy a Zhiguli 2103 (which cost 7500 rubles). The bartender presumably earned a lot through illegal economic activity (using his access to scarce alcoholic drinks and selling them on the side for high prices). Voronkov suggested that the car would have been formally allocated to Egorov's father-in-law who worked at a factory. This way Voronkov could have passed it for a car given to a top performer (*peredovik*), so as not to elicit any suspicion. Egorov's case was far from unique in Voronkov's career[326].

In the late 1970s, a commission of the Ministry of Finance found out that officials at Litfond, an agency within the Union of Writers, used their position to sell access to

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[324] G.N Andrienko, "Legkovoii Avtomobil' v Sem'e," *Ekonomika I Organizatsia Promyshlennogo Proizvodstva (EKO)*, no. 5 (1985): 112. We might also suggest that this figures reflect the growing number of workers among car owners.

[325] Erik R. Scott, "Edible Ethnicity How Georgian Cuisine Conquered the Soviet Table," *Kritika: Explorations in Russian and Eurasian History* 13, no. 4 (2012): 845. Mark Edele also mentions Aragvi as an important gathering place for the military elite in the 1940s Mark Edele, "Strange Young Men in Stalin's Moscow: The Birth and Life of the Stiliagi, 1945-1953," *Jahrbücher Für Geschichte Osteuropas*, no. H. 1 (2002): 47.

[326] GARF, f. 8131, op. 39, d. 123, l.64-76.

Union facilities for a profit. Namely, they sold vouchers to creative resorts (*doma tvorchestva*) in Crimea on the Black seashore to people who had no affiliation with the Union (as a result there was not enough rooms at these resorts for Union writers)[327].

Sometimes, officials even used their own special access to purchase scarce goods such as cars to extract profit. In 1978, an anonymous letter from 17 employees at the Ministry of the Civil Aviation arrived at the desk of the Council of Ministers concerning the actions of Aleksey Konnov, head of the Privolzhie department of Civil Aviation. The employees accused Konnov of selling several personal cars that he was able to buy for himself through the Ministry to other people "on speculative prices" meaning higher than the price he paid in the store. Formally, Soviet citizens could not own more than one car. But Konnov first bought a Zhiguli, then sold it, bought a Volga, sold it again and then bought another Volga. This way, he could still own a car but also make a huge profit. This was also a perfect way for black market dealers to buy a car which they could not gave bought through official channels. The Deputy Minister of the Civil Aviation was fired around the same time for the same offense.[328]

Thus, as more and more people outside of the official Soviet elite earned enough money and developed demand for luxury goods, those luxury goods began to appear for sale on the black market. If under Stalin such practices were severely persecuted, under Brezhnev, they became so widespread that they ended up changing the social hierarchy of the entire Soviet Union.

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[327] N.G. Tomilina ed., *Kul'tura i vlast'. Apparat TsK KPSS i kul'tura, 1977-1978: Vol*.2., (Moscow, 2009): 428-433.

[328] GARF, f. 5446, op.135, d.1194, l.17-18.

Conclusion

Since the 1930s, members of Soviet society who enjoyed lavish lifestyles came almost exclusively from the political, military, cultural, and academic elite. As a reward for their loyalty and contribution to the communist cause, they received high wages and access to high-quality facilities such as housing, stores, and resorts. Among workers, only few enjoyed a similar living standard; indeed, the vast majority of workers lived in poverty. In the late 1940s, after WW2, material inequality increased even further.

But after the reforms of the late 1950s and early 1960s this kind of inequality decreased somewhat, as the state made an effort to pass policies distributing material resources more fairly. Indeed, salaries for higher-ups became only 2 to 4 times higher than average, while in the 1940s, the ratio could have reached 1:72. However, there was also another social process going on in the late Soviet Union, one which created a new type of inequality. Thanks to corruption and growing demand, a new elite group emerged in the 1970s, namely, black marketeers. As more and more people wanted to consume goods and lacked access to them, facilities for the elite began to be sold for money to those who earned illegal profits. Thus, the old "Stalinist" elite was gradually being supplemented or sometimes even replaced by a new one.

Chapter 4. Private Agriculture in the late Soviet Union: Honest Labor or Unearned Income?

In the middle of the 1970s when Alexander Zhuravliov, a young Moscow engineer, decided to buy a car, the person he turned to to ask for money was his grandmother. The average price of a personal car in 1975 was 7000 rubles and Alexander did not have that amount of money; his and his wife's monthly salaries, about 180 rubles each, went almost completely for everyday expenses and they did not have much in terms of savings. However his grandmother did. She lived in Ramenskoe, a village outside of Moscow, worked on a collective farm and had a private plot of 0.3 hectare (0.7 acre). When she retired from the collective farm in early 1970s, she dedicated all of her time to the private plot. She grew cherry trees and potatoes and her children and grandchildren, who lived in Moscow, would come to help her with fertilizing and harvesting. She would then sell her produce on the local collective farm market for "free" market prices, not regulated by the state. Because of the high quality of her produce and the food shortages in the state retail trade, her cherries and potatoes were in high demand and as a result she had large earnings and was happy to give some money as a gift to her grandson so that he could buy a car. [329]

Around the same time Yuri Nikonov, an engineer from Cheliabinsk, a big industrial city in the Urals, considered the possibility of buying a cooperative apartment to move out of his parents' place with his wife and a young daughter.[330] He became a

[329] Interview with Sergey Zhuravliov, May 2019.

[330] Cooperative housing, first initiated in 1920s and then revived in 1958, was a form of housing, in which a group of people contributed their personal funds to the construction of an apartment building and then received it in collective property. In the situation of the lack of free real estate market and of long waiting

member of a cooperative, which offered him a nice two-room apartment in the center of Cheliabinsk but he did not have enough money to pay for it. The person he turned to was his mother-in-law, who lived in the countryside right outside of Cheliabinsk where she owned a private plot. While her husband worked at a big enterprise, she had always been a stay-at-home mother. The enterprise had given the family a plot of land so that they could grow produce for their children; Yuri's mother-in-law cultivated the land all of her free time. She grew vegetables and flowers and then sold them at the local market. As a result she was not only able to provide Yuri's family with a cooperative apartment but also her other children living in the city with apartments and cars.[331]

How come people in the Soviet Union, a country which eradicated private property and prosecuted private enterprise, could have owned private plots of land and acquire wealth because of them? Why were people who worked the land in the countryside able to earn more than engineers in the big cities? What were the attitudes of the government and of the society toward this type of private activity in the socialist society? Finally, how did it change over time? In this chapter I will describe the legal framework of private plot ownership in the Soviet Union and its evolution throughout the Soviet period; I will then show how people were able to acquire wealth thanks to the plots. Finally, I will examine attitudes toward this kind of economic activity and the ideological discussions it generated during the 1970s and early 1980s.

The Legal Framework of Private Plot Ownership in the Soviet Union, 1930s – 1950s.

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lists for free state housing, joining a cooperative was a rare opportunity to quickly get an apartment for money, see more: Harris, *Communism on Tomorrow Street*, 178-185.

[331] Interview with Olga Nikonova. May, 2019.

In the 1920s rural dwellers constituted about 80% of the total Soviet population. After 1929 when Stalin announced the policy of the collectivization of agricultural land, individual landholdings were integrated into the large scale collective farms and collective farming was proclaimed more efficient than individual farming.[332] However, peasants still had the right to cultivate private plots of land surrounding their houses and keep a small number of cattle. According to the 1936 Soviet Constitution, "In addition to its basic income from the public collective-farm enterprise, every household in a collective farm has for its personal use a small plot of land attached to the dwelling and, as its personal property, a subsidiary establishment on the plot, a dwelling house, livestock, poultry and minor agricultural implements".[333]

All land remained the property of the state, but the state was allowed to provide it for the use of various institutions such as state enterprises or collective farms, as well as individual citizens in the form of private plots for agricultural activity "in perpetuity free of charge".[334] In addition to collective farmers, blue and white collar workers living in the rural areas also could have had private plots and livestock, but all of them were subject to restrictions: they could have had no more than one cow, two calves, two pigs, ten goats or

[332] Richard W. Davies, *The Socialist Offensive: The Collectivisation of Soviet Agriculture, 1929-1930* (Springer, 1980); Jenny Leigh Smith, *Works in Progress: Plans and Realities on Soviet Farms, 1930-1963* (Yale University Press, 2014).

[333] *Constitution (Fundamental Law) of the Union of Soviet Socialist Republics*. (Washington, 1947): 6. On the pre-history of the private plots (*usad'ba*) as a part of the peasant commune see: Esther Kingston-Mann, "Claiming Property: The Soviet-Era Private Plots as 'Women's Turf,'" in *Borders of Socialism* (Springer, 2006): 25-30.

[334] *Bolshaiia Sovetskaiia Entsiklopediia* s.v. "Priusadevnyii Uchastok," vol.20 (Moscow, 1975): 599.

sheep, and a plot no more than 0.5 hectare for collective farmers and 0.3 for other citizens.[335]

Private plots and livestock were mainly meant to satisfy the demand of peasant families. However part of their harvest had to be sold to the state as "obligatory deliveries" for the low procurement prices. If farmers still had any "surplus" remaining after that, they could have sold it directly to other citizens on the collective farm markets (which existed both in the countryside and in the cities) for free prices unregulated by the state. [336] The plot could thus have served not only as a source of food for the family but also potentially as a source of additional income. Soviet citizens spent between one-third and one-half of their incomes on the these markets in all but a few years of Stalin's rule.[337] The main restriction of private plots was that the land had to be cultivated only by the labor of family members; hired labor was prohibited.[338]

Private plots were not limited to the rural areas. In most towns and cities before the mass housing campaign of the 1950s, the majority of dwellers also lived in their own private wooden houses and thus had private plots.[339] Beginning in 1933 some enterprises in the cities began providing their workers with "collective gardens", big plots of land

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[335] *Pravda*, February 18, 1935, 1-2.

[336] *Bolshaya Sovetskaya Entsiklopedia*, s.v. "Vnutrenniaia torgovlia," vol.5. (Moscow, 1971): 166. Michael Ellman offers a reason why the Stalinist leadership permitted the introduction of the collective farm market despite its 'non-socialist' character. He agues that markets where food could be bought freely were considered an important way to appease labour unrest in the cities because of food shortages in the state retail chains. Michael Ellman, "The Political Economy of Stalinism in the Light of the Archival Revolution," *Journal of Institutional Economics* 4, no. 1 (2008): 110. These markets were also used for artisans' sales of their own handicrafts, and occasional sales of unwanted used possessions by the public at large: Hessler, "A postwar perestroika?," 520.

[337] Hessler, "A postwar perestroika?," 516.

[338] *Bolshaiia Sovetskaiia Entsiklopediia* s.v. "Priusadevnyii Uchastok," vol.20 (Moscow, 1975): 599.

[339] Markevich, "Finding Additional Income. Subsidiary Agriculture of Soviet Urban Households, 1941–1964.," 390.

outside of the city, which workers were supposed to cultivate collectively to have an additional source of food.[340] (see the example of Yuri Nikonov's parents-in-law cited above).

This state of affairs, however, was seen as temporary. The main economic reason for the existence of such "atavism" as a private plot under socialism was that public production (*obshchestvennoe proizvodstvo*) was not yet able to satisfy the populace's demand for agricultural products.[341] Indeed, the figures show that private agriculture was indispensable for Soviet economics: at the end of the 1950s about one-third of all agricultural production in the Soviet Union was produced by private agriculture. This share then began to decrease because of urbanization, but even on the eve of the Soviet Union's collapse, it constituted about one-fourth of the total agricultural production in the country.[342] For some particular items, the private agricultural sector provided much more than that. For example in 1972, 62% of potatoes and 47% of eggs produced in the Soviet Union were produced in the private sector.[343]

During the Second World War individual gardening became especially widespread because of the food crisis and the favorable state policy.[344] This was also the time of expansion of collective gardening.[345] Private agriculture remained widespread

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[340] Stefan Hedlund, *Private Agriculture in the Soviet Union* (Routledge, 1989): 45.

[341] *Bolshaiia Sovetskaiia Entsiklopediia* s. v. "Lichnoe Podsobnoe Khoziaistvo," vol.14. (Moscow, 1973): 578.

[342] Hedlund, *Private Agriculture*.

[343] *Bolshaiia Sovetskaiia Entsiklopediia* s. v. "Lichnoe Podsobnoe Khoziaistvo," vol.14. (Moscow, 1973): 578.

William Moskoff, *The Bread of Affliction: The Food Supply in the USSR During World War II* (Cambridge University Press, 2002); Markevich, "Finding Additional Income. Subsidiary Agriculture of Soviet Urban Households, 1941–1964."; Hessler, "A postwar perestroika?".

[345] Lovell, *Summerfolk,* 163-168.

both in urban and rural areas even after the end of the war. While in the regions with better climate, private farmers were able to sell their produce and extract profit, in regions with less fertile soils, this activity was mostly oriented towards self-sustainment. It was important to have a personal source of food because of the shortages and of poor organization of the state trading network, especially in small towns. Moreover, it allowed people not to spend money for groceries and to save it to buy durables.[346] In 1957, however, an important change in policy happened in this sphere. The mandatory sale of the part of the harvest produced on private plots to the state was abolished and farmers gained the right to dispose of the surplus as they wanted, which made more people sell their produce on the collective farm markets.[347]

[346] Markevich, 406.

[347] Postanovlenie TsK KPSS i Soveta Ministrov SSSR ot 4 iiulia 1957 g. in *Resheniia partii i pravitel′stva po khoziaistvennym voprosam*, Tom 4. Moscow, 1968, p. 349-351. Karl Wädekin argues that this measure was not meant to support private farmers but rather to start the destruction of the private sector; this decree thus signaled that the state was no longer dependent on the private plots: Karl Wädekin, *The Private Sector in Soviet Agriculture* (University of California Press, 1973): 265-272.



Figure 7. Collective farm market in Kiev in 1959. Sourse: Digital Collections of University of Wisconsin-Madison, photo credit: Lawrence Monthey.

Khrushchev's Restrictions on Private Agriculture

When Nikita Khrushchev came to power in the mid-1950s, he started a mass campaign against "private property tendencies" (see chapter 1). Private agriculture was under attack as well. "Thanks to the carelessness of local authorities our workers have now too much private cattle, which distracts them from real work!", Khruschev wrote in a note to the Presidium of the Party Central Committee in 1955.[348] In another note to the Presidium in 1963 Khrushchev argued that "the path to the improvement of life in the countryside should not go from the private wealth to the public, but from the public to the

[348] Khrushchev, N.S. *Dva tsveta vremeni: dokumenty iz lichnogo fonda Khrushcheva,* v.2 (Moscow, 2009): 75.

private".[349] Besides the fight against private property, there was also a fight for the "correct" kind of labor. In 1961 this famous law was passed, "On strengthening the struggle with persons avoiding socially-useful work and leading a parasitical way of life".[350] The law, pointed against so-called parasites (*tuneiadtsy*) aimed to punish those who did not contribute their labor to the common cause. And engaged in suspicious economic activities instead of or in addition to their regular jobs. In this context private agriculture became suspicious.

In 1959, a law was adopted according to which any people other than collective farmers were forbidden to own livestock.[351] Those owning livestock had to sell it to the state. In 1963, the size of private plots was restricted to allow private plots owners to produce a harvest large enough only for their own family's consumption and not for sale.[352]

Those who earned their living by growing produce on private plots were condemned and their income was deemed to be a product of "non-labor" activity. The law analyzed in Chapter 1 provided for confiscation of houses built or bought on "unearned income", which included private farming. For example, Efrosiniia Kekshina who lived in the town of Evpatoria in Crimea did not have a formal job, but owned two cows, three goats, numerous pigs and chickens. By selling milk, eggs and meat on the

[349] Nikita S. Khrushchev, *Stroitel'stvo Kommunizma v SSSR i Razvitie Sel'skogo Khoziaiistva.*, vol. 8 (Moscow, 1964). An attack on the private agricultural sector was accompanied by an increase in state investment into socialized agriculture and the launch of large-scale campaigns, such as the Virgin Lands project: Martin McCauley, *Khrushchev and the Development of Soviet Agriculture: Virgin Land Program, 1953-64* (Palgrave Macmillan UK, 2016). See also: Aaron T. Hale-Dorrell, *Corn Crusade: Khrushchev's Farming Revolution in the Post-Stalin Soviet Union* (Oxford University Press, 2018).

[350] Vedomosti Verkhovnogo Soveta RSFSR. 1961. N 18, St.273.

[351] "Ukaz Prezidiuma Verkhovnogo Soveta RSFSR ot 12 avgusta 1959 goda," in *Vedomosti Verkhovnogo Soveta RSFSR* no. 30 art. 493, 1959.

[352] Decree Of the Council of Ministers of RSFSR, no. 1479, 30 Dec 1963.

collective farm market, she was able to earn enough to buy two houses, one for herself and another one for her daughter. This income was recognized as unearned and both houses were confiscated from Kekshina in 1964.[353]

However in October of 1964 right after Khrushchev's removal from power, the policy towards private plots was reversed as "unreasonable" (*neobosnovannaia*).[354] The restriction on cattle ownership was lifted and the permitted size of private plots returned to pre-Khrushchev time. Even though the law on confiscation of houses bought on unearned income was never abolished, some, including Kekshina, got their houses back after numerous appeals in the late 1960s. [355]



[353] TsGAVO. f. 288. op. 9. d. 2429. l. 40-41.

[354] "Postanovlenie TsK KPSS 27 oktiabria 1964 g. ob ustranenii neobosnovannykh ogranichenii lichnogo podsobnogo khoziaistva kolkhoznikov, rabochikh i sluzhashchich," in *Resheniia partii i pravitel'stva po khoziaistvennym voprosam*, Tom 5: 1962-1965 god. (Moscow, 1968): 517.

[355] GARF. f. 8131 op. 33 d.1458.

Figure 8. Private plot on the outskirts of Moscow, 1964. Source: Getty Images, photo credit: Dean Conger.

Private Agriculture Developments in the 1970s

Although private plots and cattle breeding were "rehabilitated" after Khrushchev's oppression, they were still interpreted as a temporary phenomena alien to socialism. Soviet ethnographers studying the village characterized it as a remnant of the past ("*perezhitok*"); Soviet economists acknowledged they were necessary (because otherwise Soviet agriculture could not have provided enough produce for the whole population), but they still characterized this state of affairs as transitional. [356] Ivar Raig, a Soviet agrarian historian, explained: "The process of a gradual unification of socialized and personal agriculture will produce a situation in which personal auxiliary agriculture loses its economic significance. Instead, its social functions will come to the fore, as it largely transformed into a form of leisure activity. In this way, the remnants of traditional peasant organization and conditions of work will gradually disappear, and thus the differences in conditions of life between town and country will diminish". [357] In early 1970s Gelii Shmeliov, a Soviet agrarian economist, had troubles defending his dissertation, in which he argued that private agriculture might have been an organic part of socialism.[358]

[356] Katja Bruisch and Bill templer "The Soviet Village Revisited. Household Farming and the Changing Image of Socialism in the Late Soviet Period," *Cahiers Du Monde Russe. Russie-Empire Russe-Union Soviétique et États Indépendants* 57, no. 1 (2016): 81–100.

[357] I.Kh. Raig, "Razvitie Lichnogo Podsobnogo Khoziaistva v Sovetskoii Derevne," *Istoriia SSSR*, no. 5 (1984): 126. Cited in Hedlund, *Private Agriculture*, 25.

[358] Bruisch and Templer, "The Soviet Village Revisited," 89.

However in the mid-1970s Soviet government's attitude towards private agriculture began to change. In the situation of a deepening crisis of the Soviet state agriculture and the increasing migration of the rural population to the cities, Leonid Brezhnev was looking for the ways to improve agricultural output. One of his steps was giving more rights to the peasants. They were granted the right for the state retirement pensions in 1964; they started getting monetary salaries in 1966 (instead of in-kind *trudodni* system); finally, they were granted internal passports in 1974, which allowed them to move more freely around the country.[359] Other measures included capital investment and rising of the procurement prices (for which the state bought the produce from the collective farms). However the crisis still persisted, one of the most indicative sign of which was the fact that the Soviet government had to buy more and more grain from abroad.[360]

According to the diary of Alekseii Krasnopivtsev, an employee of the State Planning Committee (*Gosplan*), who worked in the department of agriculture in 1970s - 1980s, the crisis in agriculture was felt as early as 1973. In 1977, he described the state of affairs as "desperate".[361] There was no growth in productivity, while costs of agricultural production kept growing. There was shortage of tractors, fertilizers and livestock feed.

[359] On pensions: Smith, "The Withering Away of the Danger Society"; on salaries: Alexandra Oberländer, "Hatching Money," *Cahiers Du Monde Russe* 61, no. 1 (2020): 231–256.; on passports: Zaslavsky, "Socioeconomic Inequality and Changes in Soviet Ideology".

[360] Nove, *An Economic History of the U.S.S.R.*; Stefan Hedlund, *Crisis in Soviet Agriculture* (New York, 1984).

[361] Krasnopivtsev, *Zhazhda Spravedlivosti*, 74-79.

One of the possible solutions, according to some experts, was the development of the private sector.[362]

In September 1976, Nikolay Baibakov, the head of the *Gosplan*, tasked his deputy Nikolay Gusev to "finally decide" (*opredelitsia*) what was "our policy towards *LPKH* [*lichnoe podsobnoe khoziaistvo*, subsidiary individual holdings]".[363] After a few months of internal discussions Gusev and his colleagues suggested that *LPKH* should be given highest possible support. In May 1977 he organized a series of meetings with journalists and "representatives of the labor collectives" to explain to them the importance of private agricultural activity. It was also decided to draft a decree, which would emphasize the support of this economic activity.[364]

A joint decree of the Council of Minister of the USSR and the Central Committee of the Communist Party was indeed adopted in September 1977. The decree emphasized that "subsidiary individual holdings" (which included any forms of private agriculture) were an important part of the Soviet agriculture. The decree condemned functionaries such as heads of the collective farms or local authorities who "underestimated" this activity and sometimes even banned it without any reason. The decree put in charge few all-Union ministries and local Councils of Ministers to support subsidiary individual holdings, increase their productivity and improve conditions for sale of their products. The decree also encouraged ministries to provide various enterprises with arable land so that the enterprises could create more "collective gardens" and provide their employees

[362] Another solution was further increase of capital investment, embodied in 1982 in the famous Food Program. Johnson, David Gale Johnson and Karen McConnell Brooks, *Prospects for Soviet Agriculture in the 1980s* (Indiana University Press, 1983): 92-100.

[363] Krasnopivtsev. p.116.

[364] Krasnopivtsev. p.118.

with private plots. Workers could use those as a kind of dacha but the emphasis was on growing produce on them.[365] The Ministry of Finance had to develop legislation in order to give those employees loans of up to 1000 rubles for the construction of small "garden houses" (*sadovyi domik*) to build on their plots. In the conclusion, the decree stated that these measures would not only help to satisfy the needs of the population in agricultural products, but would also improve the conditions for vacation (*uslovia otdyha*) of the citizens.[366]



Figure 9. Private plot in Latvia in 1980. Source: RIA Novosti databse, photo credit: Elanchuk.

[365] Stephen Lovell argues that while collective gardens, or garden cooperatives, of the 1940s were mainly seen as a collective property, in the 1970s they began to be perceived as private property, each piece of the collective garden becoming just an individual dacha: Lovell, *Summerfolk,* 190-197.

[366] "Postanovlenie TsK KPSS i Soveta ministrov SSSR ot 14 sentiabria 1977 o lichnykh podsobnykh khoziaistvakh kolkhoznikov, rabochikh, sluzhashchikh i drugikh grazhdan i kollektivnom sadovodstve i ogorodnichstve," in *Resheniia partii i pravitel'stva po khoziaistvennym voprosam*, Tom 12: 1977-1979. (Moscow, 1979): 104-111.

The support for private agriculture was also confirmed in the new Soviet Constitution adopted in 1977. The second chapter of the Constitution called "Economic System" stated that although the foundation of the economic system of the USSR was socialist ownership of the means of production in the form of state property (belonging to all the people), citizens could also possess personal property, which included "earned" income, a house and "items for personal consumption". They could also "be granted the use of plots of land for a subsidiary small-holding (including the keeping of livestock and poultry), for fruit and vegetable growing". The Constitution emphasized that "the state, and collective farms provide assistance to citizens in working their small-holdings".[367]

After the turn of 1977 Gelii Shmeliov, an agrarian scholar who had troubles defending his dissertation on the importance of private plots, not only became the head of the agrarian department of the Institute of Economics of the Academy of Sciences, but was even asked to write an article "On the private subsidiary farm" in *Pravda* and then a popular mass brochure on the same subject. [368] Shmeliov argued that a big advantage of the private agriculture was that it allowed the inclusion in the labor force of those who otherwise did not participate in the public production, people such as pensioners, housewives or teenagers. It was wrong to think, Shmeliov noted, that those who were engaged in the private agriculture harmed the collective agriculture because the statistics showed that collective farmers who were engaged in subsidiary individual holdings did not perform worse in collective farming.[369]

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[367] Constitution of the Union Of Soviet Socialist Republics (1977). Accessed April 8, 2022. https://www.departments.bucknell.edu/russian/const/77cons01.html

[368] "O lichnom podsobnom khoziaistve," *Pravda,* 10 September, 1977, 3*;* G.I. Shmeliov, *Lichnoe podsobnoe khoziaistvo* (Moscow, 1985).

[369] Shmeliov, *Lichnoe podsobnoe khoziaistvo*, 10-15.

Other Soviet academics also argued that private agriculture did not contradict socialism but rather strengthened it. Alexander Nikonov, a high-ranking economist from the All-Union Academy of the Agrarian Studies, explained on a roundtable in April 1981 that private sector had three important functions. The economic one consisted in supplying population with a range of foodstuffs; the social function was providing the rural population with an additional source of income and the urban population with meaningful recreation; while the educational function involved teaching children and youth sound workings habits.[370]

Since the results of the decree remained unsatisfactory, the January 1981 Council of Ministers and Central Committee adopted one more decree in support of private agriculture.[371] The decree stated that even though there were some improvements in the situation with private plots since the 1977 decree, the possibilities of this activity were still not used to its full capacity. It emphasized that those who owned livestock should be provided with fodder, pasture and herdsmen by the state or by the local collective farm. Young families should have been granted livestock for free if they expressed any interest. The decree also asked the Ministry of Agriculture to further develop the chain of the collective farm markets in order to ease the sale of the produce for the private producers. The loans for the houses for private plots were increased up to 3000 rubles. In 1981 a special magazine called "*Priusadebnoe khoziaistvo*" (private household) began to be

[370] "Khronika nauchnoi zhizni: Problemy lichnogo podsobnogo khoziaistva," *Izvestia Akademii Nauk SSSR*, no. 3, 1982, 124. Cited in Hedlund, *Private Agriculture*, 67.

[371] "Postanovlenie TsK KPSS i Soveta ministrov SSSR ot 8 ianvaria 1981 g. o dopolnitel′nykh merakh po uvelicheniiu proizvodstva sel′skokhoziaistvennoi produktsii v lichnykh podsobnykh khoziaistvakh grazhdan" in *Resheniia partii i pravitel′stva po khoziaistvennym voprosam*, Tom 13: 1979-1981, (Moscow, 1981), 533-545.

published as a supplement to the magazine *Sel'skaya Nov'* with articles specifically meant for private farmers.

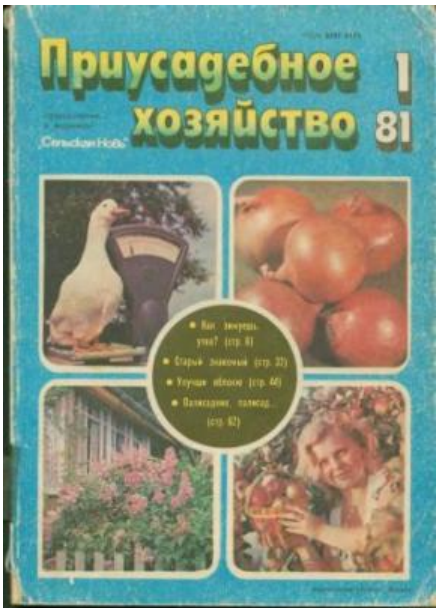


Figure 10. First issue of *Priusadebnoe khoziaistvo*. January 1981.

Finally at the 26th Congress of the Communist Party in February 1981, Leonid Brezhnev himself mentioned the importance of private agriculture in overcoming the "difficulties in supplying the population with food". He stated, "The collective and state farms were and continue to be the mainstay of socialist agriculture. But this certainly does not mean that the potentialities of subsidiary individual holdings may be neglected. Experience shows that such holdings can be an important additional source in the supply of meat, milk, and some other produce. Individually-owned vegetable and fruit gardens, poultry and cattle are part of our common wealth".[372]

[372] L. Brezhnev, *Report of the Central Committee of the CPSU to the XXVI Congress of the Communist Party of the Soviet Union and the Immediate Tasks of the Party in Home and Foreign Policy*, (Moscow, 1981): 59, 63.

It is hard to estimate the effect of all those state support measures but we do know that by 1983 46,6 mln Soviet families (more than a half of all families) were involved in private agriculture. Only one-fourth of them were collective farmers, the rest were families of workers and white collar workers both in the countryside and in the cities. The number of those participating in the collective gardening alone grew 46% from 1977 to 1983 and reached 11 mln families.[373] Thirty-one percent of all cows in the Soviet Union and 35% of poultry were kept by private owners, who produced 29% of all meat and milk. In some republics these numbers were much higher: in Azerbajdzhan 60% of meat was produced in private agriculture, while in Lithuania 73% of wool.[374] As Katja Bruisch and Bill Templer have put it, "While private subsidiary farming had been treated before as a temporary compromise, it was now increasingly acknowledged as a permanent feature of the rural economy".[375] But what consequences did it have and how did it affect Soviet society?

Private Agriculture as a Source of Material Wealth

During the 1960s and 1970s the living standards of the Soviet population were improving. Disposable income grew, people got better housing and their consumption was more than the satisfaction of basic needs. While in the period before and after the Second World War, as Andrei Markevich has argued, Soviet private agriculture was oriented towards self-subsistence, then in the 1970s it increasingly became a source of

[373] Shmeliov, *Lichnoe Podsobnoe Khoziaistvo*, 28.

[374] Shmeliov, *Lichnoe Podsobnoe Khoziaistvo*, 3-6.

[375] Bruisch and Templer, "The Soviet Village Revisited," 93.

additional income.[376] As Soviet experts claimed, the "commercial" aspect of private agriculture was increasing.[377] It is also important to mention that despite state support, those engaging in private agriculture still encountered difficulties. For example, the letters to the newspaper "Rural Life" (*Sel'skaya Zhizn')* showed that frequently, especially in infertile regions, collective farms, which were supposed to support private farmers, did not have enough equipment or livestock feed to provide them with.[378] So the vast majority of private plots owners even after the adoption of the decrees, still used them either as a source of self-supply or as a form of leisure (as predicted by some of the Soviet experts cited above) and not as a source of income.

Of those who still managed to produce surplus enough for sale, the larger part sold it on the collective farm markets and not to the state organizations. In 1982, 80% of all meat sold by private producers and 53% of potatoes were sold on the markets. [379] The main reason for that was that state procurement prices were too low and farmers were not interested selling their produce to the state. Some local agencies tried to force private plot owners to sell their surplus to the state or motivated them by offering to them various scarce consumer goods for sale in exchange (for example, cars, as discussed in chapter 3), but most of the time it was not very effective. Even after the rise of the procurement prices in 1977, they still remained low compared to the collective farm market prices.[380] To some extent it was even convenient for the government to allow farmers to sell their

[376] Markevich, "Finding Additional Income," 385-415.

[377] Shmeliov, *Lichnoe Podsobnoe Khoziaistvo*, 19-20.

[378] Sh. Chzhuan, "Lichnoe Podsobnoe Khoziaistvo Sel'skogo Naseleniia SSSR v Seredine 1960-Kh – Seredine 1980-Kh Gg.," *Istoricheskii Zhurnal: Nauchnye Issledovaniia*, no. 5 (2018): 139–154.

[379] Shmeliov, *Lichnoe Podsobnoe Khoziaistvo*, 21-22.

[380] GARF. F. 5446. op. 1. d.906. l. 328; *Ekonomika I Organizatsia Promyshlennogo Proizvodstva (EKO)*, no. 3 (1980): 37.

produce on the market thus making consumers themselves pay the high price for the produce. As a result the sales on the collective farm markets grew 11% from 1980 to 1983.[381] Central Statistical Agency of RSFSR reported that for example 31% of all food purchases of citizens in Voronezh region was made on collective farm markets.[382]



Figure 11. Collective farm market in Voronezh, 1972. Source: ITAR TASS database.

As the excess of cash in the Soviet economy (generated by growing wages and stable state prices with low productivity growth) kept increasing, more and more money was spent on collective farm markets. Those growing fruits and vegetables or keeping cattle and selling their produce on the markets were growing rich, collecting a huge portion of the money that the populace could not spend in the state retail system because

[381] Shmeliov, *Lichnoe Podsobnoe Khoziaistvo*, 23

[382] GARF F. 374 op. 39 d. 6452 l. 89.

of the shortages and the poor quality of state-produced goods.[383]

Of course, not all those who engaged in private farming were able to gain a huge profit, but some of them did. Private agriculture became especially profitable in the regions with good climate and a long tradition of farming. Isabelle Ohayon in her study of the rural areas in Soviet Kazakhstan in 1970s noted that private plots played an extremely important role there. After oppression and poverty of the previous period, the 1970s were the time of material well-being. Since the majority of the population in the region was rural, the most natural way to grow rich there was private agriculture. People grew produce, kept livestock, and sold it on the markets both inside and outside of Kazakhstan. As a result some of them not only could have afforded to build themselves big houses and buy cars, but also held lavish ceremonies for important occasions such as weddings or funerals. For example building luxurious mausoleums for a few thousand rubles became almost a required ritual when a wealthy person died.[384]

Another region famous for its agricultural production was Georgia. Farmers there had huge harvests of fruit and actively traded them on the market. For example, Nikolay Korinteli, who lived in a village not far from Tbilisi, managed to earn about 1800 rubles per month (ten times the average monthly salary) by selling mandarins from his private plot.[385] Private earnings from growing citrus fruits in Georgia were so high that in 1974 the Council of Ministers of Georgia even adopted a law according to which people who

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[383] More on excess cash in Soviet economy: Byung-Yeon Kim, "The Income, Savings, and Monetary Overhang of Soviet Households," *Journal of Comparative Economics* 27, no. 4 (1999): 644–668. While in the 1960s the collective farm market prices were only 35% higher than those in the state stores, by the end of the 1970s they became on average almost 100% higher than state retail prices, see Chapter 6.

[384] Isabelle Ohayon. "The Growth of Ritual Expenditures as a Mode of Investment of Income from Individual Agricultural Production (Soviet Kazakhstan, 1970s)", (Paper presentation, *Economic Histories of Russia and the Soviet Union: Sources, Methods and Perspectives,* September 14-15, 2018).

[385] MIA Archive (Ministry of Internal Affairs of Georgia), II (Party Archive) f. 14 op. 119 d. 1072.

grew citrus fruits did not have the right to sell them on collective farm markets, but only to the state (but this law was almost not enforced).[386] As in the case of Kazakh producers, Georgian farmers travelled a lot all over Soviet Union selling their crop in less fertile regions in order to earn more. In November 1976 the Georgian Central Committee and the Council of Ministers considered a possibility of adopting a law according to which the dwellers of the republic would not be allowed to sell their produce outside of the republic, because this kind of trade only encouraged greed (*izvlechenie nazhivy*).[387]



Figure 12. Collective farm market in Leninabad, Tajik SSR,1978. Source: RIA Novosti database, photo credit: V. Pavlov.

[386] MIA, II, f. 14 op. 51 d. 682.

[387] MIA, II,. f. 14 op. 51 d. 682. More on people from Georgia and Central Asia travelling to other parts of the Soviet Union to sell agricultural produce see: Scott, *Familiar Strangers*, chapter 5; Sahadeo, *Voices from the Soviet Edge,* chapter 6.

However Caucasus and Central Asia were not the only Soviet regions where private agriculture became a source of private wealth for some. As Grigorii Liubotin, a teacher from Kharkov region in Ukraine, wrote in his letter to *Literaturnaia Gazeta* in 1981, "The only way for normal people to earn well now is to find such a job that would allow them to be at home as much as possible and then spend all their time in their gardens growing vegetables and flowers for sale". [388]

A journalist Grigorii Iakovlev published an article in *Pravda* in 1976, in which he wrote that in Rostov-on-Don, a big city in the south of Russia, a lot of people had their own private plots, where they built big greenhouses heated by gas, and grew vegetables and flowers there. For example, Uliiana Zhdanova, a pensioner who lived with her two grown-up daughters and a son in law, had as much as 1200 tomato plants in her greenhouse. People such as Zhdanova, Iakovlev claimed, sold their produce on the collective farm markets (sometime travelling to neighboring regions) and grew extremely rich taking advantage of shortages and of the poor quality of produce in the state stores and thus setting high prices for their own produce. Some of them earned about 10 000 rubles per season. With those earnings they were able to turn their initially small houses into fancy villas, buy cars and even put large deposits in bank. [389] In response to this article, Vladimir Danilov, a *Pravda* reader from the city of Pinsk in Belorussia, wrote a letter to the editor arguing that "gardening epidemic" affected Pinsk as well. Trying to earn as much as possible Danilov's neighbors were taking their crops to the collective farm markets of Latvia, Leningrad and even Murmansk in the Far North, thus travelling

[388] Library of Congress. Rubinov Collection. b. 27. f. 61. no. 40809.

[389] Pravda. June 18, 1976, 3.

up to 2500 km (1500 miles) to sell their produce.[390]

Some regions developed their own unusual spheres of private agriculture. In October 1980 Nikolay Dergachiov, a clerk from the economics department of the Council of Ministers of the Soviet Union wrote an alarming report to his superiors.[391] He stated that a lot of people in the Kurgan and Orenburg regions in the Urals started fur farming. Breeding minks at private plots and selling their furs on the black market was very profitable and more and more people engaged into this activity, Dergachiov wrote. The profits made even some of the best workers of the local collective farms quit their job, find a formal job such as a part-time watchman, and dedicate all of their time to this entrepreneurial activity. Breeding minks in the Urals was becoming dangerous, Dergachiov noted. Not only it was bad in moral terms, because it encouraged private property tendencies, but it also generated a number of other problems. For example, people preferred not to register as fur farmers in order to not call the attention of authorities, which meant they could not get special food for minks and were just buying meat for them in the local stores, which in turn led to increasing meat shortages in the region. Moreover, it meant that the animals were not subject to veterinary inspection, which might lead to diseases. Dergachiov asked the Council of Ministers what can be done about it. Both the Council of Ministers and the Central Committee started an investigation. The Party Committee of Kurgan region (*obkom*) in its letter to the Central Party Committee confirmed Dergachiov's information.[392] It let the Central Committee know that it kept receiving letters from the local population with information about

[390] RGANI. f. 5 op. 69 d. 302. l. 3.

[391] GARF. F. 5446. op. 142. d. 297. l. 1-5.

[392] GARF. F. 5446. op. 142. d. 297. l. 28-30.

people breeding minks and Arctic foxes on their private plots and growing extremely rich. In the east of the Kurgan region about 30% of all households bred minks. Some people kept up to 100 animals. This activity became especially popular after the 1979 price increase for fur: the number of people involved grew three times from 1976 to 1982. The head of the financial department of the Blagoveshchensk district of the Altai region also reported in 1979 that "there is at least one Arctic fox breeder in every village of our district now!"[393] According to people's letters to *Sel'skaiia Zhizn'*, in the Kostroma region in Central Russia fur farmers earned on average 15–20 thousand rubles annually (an average annual income in the USSR was about 2 thousands rubles). In Tiumen' region in Siberia "every fur farmer ha[d] a car, fancy furniture and big deposits in bank".[394] The obkom of Novosibirsk region also reported to the Central Committee that the number of fur farmers in the region grew four times since 1976 and that their profits "gave rise to righteous indignation of the population".[395]

Public Attitudes towards Private Agriculture

The enrichment of some of those engaged in private agriculture was becoming more and more disturbing for many of those who did not participate in this activity or just those who did not grow so rich. First, the growing market prices harmed families' budgets. Central Statistical Agency of RSFSR reported in 1981 that collective farm market prices grew two times since 1974 while wages grew much less. Workers had to

[393] Chzhuan, "Lichnoe Podsobnoe Khoziaistvo," 154.

[394] Letter from Chuzovkov I.V. (Oct 15, 1982), cited in Chzhuan, 154.

[395] GARF. F. 5446. op. 142. d. 297. l. 33.

buy more and more on the markets because of the drawbacks of the state trade, which meant their expenses kept growing and they had to be tighter with their spending than before.[396] Second, big earnings as such left a lot of people outraged. For example, Dmitrii Red'ko from Ulyanovsk region on the Volga in his 1976 letter to *Pravda* complained that in his region a lot of people were growing onion on their private plots on mass scale. They then brought the harvest to the Urals and Siberia and sold it for a price 2-3 times higher than they could get from state provision organizations. For transportation, they rented trucks, or even used trains or planes because they knew their expenses would have been covered by profit. "Those onion entrepreneurs own luxurious houses, cars, carpets and gold. Some of them have up to 100 thousand rubles on their bank accounts. Is it good? Should we let them enrich themselves?" Red'ko asked. He then provided his own answer saying that if they were not interested in public production but only in private profits, they did not have the right to be so rich.[397] Vladimir Zaiachnikov from Kokand in Uzbekistan in his letter to *Literaturnaia Gazeta* in 1981 complained that on the markets in his city one could not even park the car because all the parking space in the radius of 1 km was full of the cars of those who were selling fruits and vegetables on the market.[398] These people earned so much "they could even afford to buy themselves private planes if it was allowed in our country". Zaiachnikov continued, "They are the true owners (*khoziaeva*) in the city. Me and my wife, we do not engage in any illegal activities and as a result we are poor. We have to spend all of our money on these

[396] GARF. F. 374 op. 39 d. 6668 l. 138.

[397] Summary of the readers' letters in D. Novoplianskii. "Pust' bogateiut?," *Pravda* August 3, 1981, 7.

[398] Library of Congress. Rubinov Collection. b. 25 f. 59 d. 43906

markets. I think that not only police but also the Party should take responsibility for this disaster".[399]

Indeed in all of the laws and decrees regarding the support of private agriculture in 1977-1981 the legislators always warned against violations. Interestingly enough those violations were articulated in moral rather than legal terms. The decree of 1977 provided that the local authorities should watch if the private plots were used "in a correct way", which was "the production of agricultural production and not personal enrichment and money grabbing".[400] The 1977 Constitution also warned that citizens were required "to make rational use of the land allotted to them" and not to allow their property to "serve as a means of deriving unearned income or been employed to the detriment of the interests of society".[401] The 1981 decree mentioned that the support from the state should have been given only to those private producers who were also "actively participating in the public production (*obshchestvennoe proizvodstvo*)". However, at the same time the legislators did not want the moral prejudice to prevent private agriculture from developing. The same 1981 decree also underlined that the agricultural producers could have decided on their own what to do with their produce, "there is no regulation allowed in this question". Here the decree alluded to the fact that some local authorities were trying to prevent farmers from selling their produce on the market and make them sell it to the state for lower prices. The decree also stated in conclusion that it was necessary to create a public opinion (*obshchestvennyii klimat*) such as for citizens to feel that when

[399] Library of Congress. Rubinov Collection. b. 25 f. 59 d. 43906

[400] *Resheniia partii i pravitel′stva po khoziaistvennym voprosam*, vol. 12: 1977-1979. Moscow, 1979, 111.

[401] Constitution of the Union Of Soviet Socialist Republics (1977), accesssed April 8, 2022. https://www.departments.bucknell.edu/russian/const/77cons01.html

they kept cattle or grew produce they were doing a "useful state affair" (*poleznoe gosudarstvennoe delo*). [402]

Alexey Krasnopivtsev, the *Gosplan* employee mentioned above, also claimed that creating the right atmosphere was a crucial thing for the development of private agriculture. According to his diary in February 1979 Nikolay Gusev from the *Gosplan* once again organized a series of meetings with representatives of newspapers, radio and television asking them to "create a good public opinion around this question", which would in turn allow to "fight against unnecessary formalities, make more things legal" and finally "increase agricultural production".[403] It is remarkable however that, although articles in support of private agriculture were indeed published (such as Shmeliov's article and book mentioned above), a lot of the publications in the press still emphasized the problematic character of this activity.[404] These articles usually consisted of quotations from the letters of readers, who disapproved of the development of the private agriculture (see more below).[405]

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[402] "Postanovlenie TsK KPSS i Soveta ministrov SSSR ot 8 ianvaria 1981 g. o dopolnitel′nykh merakh po uvelicheniiu proizvodstva sel′skokhoziaistvennoi produktsii v lichnykh podsobnykh khoziaistvakh grazhdan" in *Resheniia partii i pravitel′stva po khoziaistvennym voprosam*, vol.13: 1979-1981. Moscow, 1981, 545.

[403] Krasnopivtsev, *Zhazhda Spravedlivosti*, 125.

[404] Boris Rumer noticed *that while in early 1970s most articles in the press concerning private agriculture were critical, in the 1979 most of them were approving. For example, in the newspaper Trud ("Labor*") in 1979 22 articles were published in support of private agriculture: Boris Rumer, "The 'Second'Agriculture in the USSR," *Soviet Studies* 33, no. 4 (1981): 560-572.

[405] Examples of the newspaper articles in support of the private agriculture: Vozmozhnosti podsobnogo khoziaistva, *Izvestiia*, January 29, 1981, 1; Khoziaiistvo lichnoe – pol'za obschaia, *Pravda Ukrainy*, Paril 21, 1981, 2. Examples of the newspaper articles criticizing private agriculture: "Klubnichnye koroli," *Komsomol'skaya Pravda*, June 29, 1983; *Komsomol'skaya Pravda*, Sept 6, Sept 15, 1983; *Pravda*, 1980, February 4; see more discussion of such articles below.



ПУСТЬ БОГАТЕЮТ?

ВОЗВРАЩАЯСЬ К НАПЕЧАТАННОМУ

Figure 13. "Pust' bogateiut?" ["Let them grow rich?"], *Pravda* August 3, 1981. P.7. Summary of the readers' letters to *Pravda* on private agriculture.

Selling produce from one's private plot has always been seen as something not completely acceptable in the public opinion. For example, Yasen Sheveliov, an engineer from Kurchatov Institute in Moscow in his letter to Literaturnaia Gazeta in 1981, wrote that back in 1969 in his free time he had designed a computer system for revealing crooks, those who spent more than they said they earned (and thus might have had an illegal income). To run the program the state employees would have to register all the earnings and expenses of the citizens in order to see if those corresponded to each other. Sheveliov wrote that his colleagues had approved the technical part of his project but had been unsure about its essence. They argued that this practice would have embarrassed honest workers. "Of course, an honest man has no reason to hide his income", Sheveliov explained. "And yet, there is something uncomfortable for people to have to report to a state employee how much they earned by, for example, selling strawberries that they had grown on their private plot".[406]

When in June 1976 Grigory Iakovkev, a journalist of the *Pravda* newspaper, published an article on the problematic character of private agriculture, he got a

[406] Library of Congress. Rubinov Collection. b. 25 f. 59 a. 43099

widespread response from the readers.[407] People from all over Soviet Union wrote letters describing how their neighbors were getting rich by using private plots and how morally problematic it was. The *Pravda* office sent these letters to the Party Central Committee calling them "readers' suggestions on strengthening the fight against private property tendencies".[408] Some of the letter-writers pejoratively called private farmers "Soviet millionaires", "kulaks" or "Nepmen" using early Soviet concepts to emphasize that these people were alien to the Soviet regime. A lot of the letter-writers from Siberia, Central Russia and Central Asia agreed that the phenomenon of mass-scale private gardening had to be fought against. However most of them considered it was not wise to just ban this activity altogether because it would have meant there would have been less fruits and vegetables on the market. First, they argued, collective farms should have worked harder in order to be able to compete with private producers. Second, private producers should have been subject to big taxes and charged more for the gas they used to heat their greenhouses (they were paying very low bills since utility payments were low in the Soviet Union in general). Finally, the readers argued that the prices on the collective farm markets should have been controlled by the state.

Private plots were indeed subject to very low taxes. The Research Institute of Gosplan in its report "The Growth of Income and the Development of the Distributive Policy of the State" written in 1979 and marked *DSP* (for internal use only) suggested that the agricultural tax had to be differentiated "taking into account commercialization (*tovarnost'*) and the prices on the collective farm market" because some citizens "tend to

[407] *Pravda*, June 18, 1976, 3.

[408] RGANI. f. 5 op. 69 d. 302.

earn too high profits".[409] However the Ministry of Finance recommended to the Council of Ministers in 1981 on the contrary to abolish the tax on private plots altogether in order not to drag the development of the private sector.[410]

The most unfair part of the private agriculture in letter-writers' eyes were the high prices on the markets. For example, Anatolii Sivakov, an egineer from Leningrad, cited in the introduction, who went for a vacation to a small seashore town of Kobuleti in Georgia in August 1981 and wrote an indignant letter to the Party Central Committee claiming that there was no socialism in Kobuleti. Among other things he mentioned that he was hoping to find a lot of cheap fruit in the stores since the region produced them but instead he found out fruit was sold only on the collective farm market at the prices three times higher than the state ones. While still there Sivakov went to the local trade department to ask why there was no trade "for stable state prices" and the officials explained him that he could find bread, sugar, soap and matches for low state prices while fruit was only sold on the market and that was totally legal. "I do not know if it is legal or not.", - Sivakov wrote. - "In my opinion it is just a very well organized profiteering on the city level and maybe even republican level. Maybe it's fine for Georgians but those coming from other republics just can not afford it!". [411]

I. Hatsevich from Ivano-Frankovsk region in Ukraine, in his letter in response to another article in *Pravda*, complained that one of his neighbors kept about 150 ferrets and sold their pelts for high (*zavyshennyii*) prices. He built himself a fancy house, bought a

[409] Report of NII Gosplana "The Growth of Income and the Development of the Distributive Policy of the State," 1979, l. 28. (Library of the Institute of Macroeconomic Research, Russian Academy of Foreign Trade)

[410] GARF. f. 9474. op.10 d. 853

[411] MIA, II, f. 14 op.120 d. 1351 l. 49.

car, carpets, gold and in general lived a lavish lifestyle. “This is not because he works more or better than others.” – Hatsevich wrote. “This is just because he has his ferrets and sells hats made of pelts for 500 rubles each on the market!”. [412]

The question of amount of labor was crucial here. Letter-writers did not understand why those who worked in the collective farms and contributed as much labor as the private producers did, earned so much less. This question was even raised on local party meetings. In January 1982 the Central Committee sent a secret letter to the local Party committees about the necessity of increasing the fight against the theft of the socialist property, bribery and speculation. The letter mainly talked about the violations in the state retail trade, but by the responses from the local committees with reports on how this letter had been discussed in the Party meetings, we can see that a lot of the local party members, especially in Central Asia, mentioned private plot holders as examples of thieves of socialist property or profiteers. For example, comrade Orzuev, a telephone operator from Western Tadjikistan, asked why some people who had private plots and the right to get free fertilizers from the collective farms, could then sell their produce on the market for prices three times higher than the state prices. “They did not contribute more labor than those who work on collective farm fields! It only generates discontent of the toiling masses”, Orzuev noted.[413] Gennadii Iliin, a locksmith from Kurgan-Tiube in Tajikistan mentioned that some people in his region grew lemons on their private plots and sold them on the markets, which made their annual income two-three times higher than his own. “Is it not profiteering?”, he asked.[414] Evgenii Ivanov, a manager of a

[412] “Ne v uscherb liudiam,” *Pravda*, March 15, 1981, 3.

[413] RGANI. f. 5 op. 88 d. 72 l. 71.

[414] RGANI. f. 5 op. 88 d. 72 l. 80.

poultry farm in Northern Kirgizia said: "A lot of people in our region use their private plots for private gain (*v tseliakh nazhivy*), they almost do not participate in public production and they turn land into a source of enrichment. They cover their gardens with greenhouses with flowers, which allows them to grow flowers all the year round and they then sell them for incredible prices. I suggest we just deprive such people from their plots".[415]

The most problematic part of the private agriculture was not the production itself but the sale of the produce. Some people doubted that selling produce on the market could be seen as a real job at all. E.G. Blinova from Kirovograd in Ukraine in her letter to *Pravda* asked "If those people spend their lives on the markets, when do they actually work?", thus equating work with physical labor.[416] El'khan Ibragimov from a village of Murganly of Gardaban region in the South of Georgia wrote to Leonid Brezhnev in December 1979: "There is no order whatsoever in Georgia. Capitalism flourishes in our republic. How else can we call a situation in which there are 200 people who are present at the local collective farm market every day and not working anywhere? In these circumstances they are just not interested in doing any socially useful labor."[417]

There was also a gender aspect to that discourse. Some letter-writers especially women, argued that trading on the market was particularly shameful for men in the strength of their lives because they should have put their effort in a more "productive" kind of labor. G.A. Sobol' from Rostov-on-Don asked in her letter to *Pravda* in 1976: "Why young and healthy men are selling flowers on the markets? Their labor is much

[415] RGANI. f. 5 op. 88 d. 72 l. 44.

[416] RGANI. f. 5 op. 69 d. 302. l. 8.

[417] MIA, II, f. 14 op. 119 d. 1074 p.14.

more needed in factories!"[418] Anna Ogon'kova, an engineer from Volgograd, noted in her letter to *Literaturnaia Gazeta* in 1981, that on any market in any given city those who sold produce were young Georgian men, "who had better work by the furnaces".[419]



Figure 14. Kaluga collective farm market, 1988. Source: Getty Images, photo credit: Peter Turnley.

Georgian and Central Asian sellers were indeed travelling a lot around the country selling their produce. N. Shishov in his letter to Pravda in 1976 mentioned that even in a small town of Vyksa in the Gorky region in Central Russia those who sold produce on the local market were people from Georgia, Armenia and Azerbajdzhan. In the eyes of

[418] RGANI. f. 5 op. 69 d. 302. l. 5.

[419] Library of Congress. Rubinov Collection. b. 25 f. 59 d. 42945

the letter-writers a bigger "sin" than just selling produce on the market for high price, was bringing one's produce to other regions because this way one could earn more. Moreover, people were being chauvinistic perceiving sellers from the Caucasus and Central Asia as alien on ethnic (or rather racial) terms.[420] Archival documents show that there were indeed people from these republics coming to other parts of the Soviet Union to trade on the markets. For example in 1974 the Department of the Collective Farm Markets in Moscow reported to the Moscow Department of Trade that "there are cases of profiteering with cucumbers on the part of the citizens from the South republics".[421] However the number of these people might not have been too high. In 1978 the same department reported that the overall majority of sellers on the Moscow markets were coming from RSFSR, while the share of those coming from other republics constituted only 5%.[422] However, even inside Georgia itself the local authorities were trying to fight against people selling produce in other regions of the country. In a 1977 report of the Georgian Central Committee on the fight against "harmful traditions and customs" (*vrednye traditsii I obychai*) sent to Moscow, private property tendencies were included in the list. The Gul'ripshi region in Western Georgia reported that in the region there had been "an unrelenting fight against all kinds of behavior alien to the Soviet way of life, including taking agricultural products outside of the republic with an intent to sell it on

[420] See more in Scott, *Familiar Strangers*, chapter 5; Jeff Sahadeo, "The Accidental Traders: Marginalization and Opportunity from the Southern Republics to Late Soviet Moscow," in *Movement, Power and Place in Central Asia and Beyond* (Routledge, 2013), 153–172.

[421] TsGAM f. 346 op. 1 d. 3093 l. 3.

[422] TsGAM. f. 346 op. 1 d. 3770 l. 3.

speculative prices. In the cases this still did happen these cases were discussed immediately in the party commission and the most severe measures were taken". [423]

Finally one more problem mentioned in people's letters to the editor and to the authorities was the fact that sometimes those who were trading on the market were not the same people as those who grew the produce but the middlemen. In that case people's indignation was much stronger because the sellers charging such high prices did not even produce what they were selling and thus did not contribute any labor into it. In 1981 in response to popular complaints the administration of one of the Tbilisi markets in Georgia decided to put the photos of the profiteers on the board so that the customers could distinguish those who were selling their own produce from those who bought it from others.[424]

In 1981 *Pravda* published a series of articles on the problematic character of "private subsidiary farming" and summaries of the readers' letters they received. Some of these articles were studied by the secretaries of the Central Committee on the day of their publication.[425] In August 1981 the Central Committee, in turn, asked the Ministry of Agriculture, the Tsentrosiyuz, an agency responsible for buying produce from the population, and the Ministry of Justice to send their opinions on the problems described in the articles. All agencies agreed that although in general the support of the subsidiary individual holdings was a good measure, still the cases when those engaged in private agriculture did not contribute to public production or cases when their income did not correspond to their labor input, should have been condemned. The Ministry of

[423] MIA, II, f. 14 op. 52 d. 339 p.145.

[424] MIA, II, f. 14 op. 120 d. 1336 l. 2.

[425] RGANI. f. 5. op. 84. d. 346.

Agriculture suggested allowing trade on the market only for the real producers and also called for adopting a new strict law, which would regulate legal status of private agriculture. "The moment finally came to develop such a legislation", they wrote to the Central Committee. However the Ministry of Justice disagreed on both points. First, they argued that asking those trading on the market for a document, which would prove they had produced their goods themselves would have only restrained the trade. Second, the Ministry thought that there was no need in a special law: "We already have two new decrees adopted in 1977 and 1981 in support of the private agriculture and we also have the Constitution, so there is no need in any additional legislation", they concluded. [426] The Central Committee agreed with the Ministry of Justice and private agriculture was never restricted despite the popular complaints.[427] During *Perestroika*, it even got more liberty, while continuing to provoke a widespread resentment among the population (see more in Chapter 7).

Conclusion

By the end of the 1970s the sphere of private agriculture became a natural part of the Soviet agriculture. Because of the crisis in state food production, the practice of growing produce and keeping livestock by individual citizens and selling it on the market for free prices received full support of the state, which was manifested in various decrees

[426] RGANI. f. 5. op. 84. d. 346. l. 10-12.

[427] Not only ordinary citizens but also some of the Soviet experts continued to argue that private plots might be dangerous because they encouraged private property tendencies. See for example an article of a high-ranking sociologist and philosopher Mikhail Rutkevich: Mikhail Rutkevich, O razvitii sovetskogo obshchestva k besklassovoi structure. *Kommunist*, no.18, 1985, 37-38. This article was then aggressively opposed by Gelii Shmeliov in *Ekonomicheskaya Gazeta*, no. 9, 1986, 14. See more in Hedlund, *Private Agriculture*, 71-73.

and supportive measures. While in all other spheres private enterprise continued to be persecuted until *Perestroika* reforms of late 1980s, private production and free trade even if with some restrictions of scale was allowed in agriculture since late 1970s. A legal oasis of capitalism, which existed inside state socialism since 1930s, developed further and gained full government support. It became one of the rare legal or rather semi-legal ways to grow rich in the late Soviet Union. In this particular sphere the slogan of the priority of public over private and the necessity of fight against private profitmaking lost their importance in Soviet state policy. However it did not lose its importance for some of the Soviet citizens. As the group of people who were growing rich thanks to the private agricultural production and the sales on the collective farm markets grew, so grew some people's resentment towards this activity. Even though the majority of Soviet citizens shopped in the collective farm markets themselves and some of them even had their own private plots, a lot of them still condemned the enrichment of the private farmers. People tried to defend basic socialist principles by criticizing free market prices, by juxtaposing the amount of labor with amount of profit and by problematizing material inequality in general. In their letters to the editors and to the state bodies regarding private agriculture, the letter-writers were using notions of social justice initially taken from the state rhetoric. While the late Soviet government became mostly interested in solving economic problems, it was ordinary citizens who tried to defend socialist principles.

Chapter 5. Rich Hairdressers and Fancy Car Repairmen: Underground Dealers and their Social Standing in the Late Soviet Union.

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The main character of a famous Soviet play "*Smotrite kto prishel*" ("Look Who Is Here"), written by playwright Vladimir Arro in 1981, was a man nicknamed King, a young and presumptuous Leningrad hairdresser. The conflict of the play revolves around the fact that King wanted to buy a summer home (*dacha*) from Nikolaii Tabunov, a well-respected intellectual and a World War Two veteran in his sixties. Tabunov was very attached to the house but decided to sell it because he needed the money. He was very sad to do so, but his sadness turned to devastation when he discovered the identity of the *dacha*'s buyer: a wealthy hairdresser. At some point, Tabunov exclaimed to his daughter: "Something awful is going on, Alina! Grabbers [*khapugi*] are stepping forward. Why are these people so wealthy? Hairdressers, butchers, sales clerks...They have their own idea of prestige. The strangest thing is that now they are imposing their morals, tastes, and criteria on us!"[428]

"*Smotrite kto prishel*" became extremely popular immediately after its release in 1981, and was soon staged in about forty theatres all over the Soviet Union. Censors worried that the play could be understood as evidence of the impunity afforded to economic criminals in the Soviet Union, because, presumably, the hairdresser grew so rich by engaging in illegal private entrepreneurship, like providing under-the-table services. They tried to ban it but did not succeed. "*Smotrite kto prishel*" remained a

[428] Vladimir Arro, *Smotrite kto prishel* (Moscow, 1982), 10.

popular play until the very end of the Soviet Union.[429] In his memoirs, Vladimir Arro explained the reasons for this success:

> *"Life in the Soviet Union was changing at that time [end of 1970s and beginning of 1980s]. The entrepreneurial people, mostly from the service sector, were really stepping forward. They did not hide anymore. And they were imposing their rules on society. Some people were irritated by them, while others, on the contrary, saw it as a source of hope [for a social change]. I myself felt that I did not know my exact attitude towards this phenomenon. But the audience's strong reaction to my play proved to me that this problem was really very relevant."*[430]

So how did hairdressers get rich in the late Soviet Union? Why were they able to buy property and boast their wealth? Which other professions became wealthy in the same period and what did the rest of society think about their enrichment? Finally, what does this story tell us about late Soviet society in general? In this chapter, I examine the phenomenon that Arro chose to place at the center of his play, namely the emergence of consumer sector dealers as an upper class in the Soviet Union at the end of the 1970s. Because of high demand for goods and services and low state-fixed prices, people who had access to goods or skills to provide services were able to charge high prices to their own profit. The state only reluctantly persecuted them for their illegal activity because it was dependent on these dealers to provide consumers with these very goods and services.[431] I aim to examine how the enrichment of these people changed their social

[429] Vladimir Arro, "Ne smotrite, nikto ne prishel!," *Znamia* 4 (2003): 142-159.

[430] Vladimir Arro, "Ne smotrite, nikto ne prishel!," *Znamia* 4 (2003): 142.

[431] Millar, "The Little Deal"; Favarel-Garrigues, "Policing Economic Crime in Russia".

status and the overall social hierarchy of Soviet society. These social changes, I argue, were perceived as new opportunities by some, and a sign of profound moral crisis by others. The newly rich as opposed to long-established Soviet upper crust, such as party officials or cultural elite, were creating a new mass culture of boastful lifestyle, which contradicted traditional socialist values of modesty, collectivism, and prioritizing spiritual over material concerns.

The Evolution of the Social Standing of Consumer Sector Workers

In the 1960s, the majority of trade workers were perceived in the Soviet society to be just low paid, uneducated people from the countryside. As Diane Koenker has shown, work in trade was widely stigmatized as a career, and service people had a low status in the society.[432] Beginning in the 1970s, however, this situation began to change.

The evolution of their social status was the result of growing demand for goods and services in Soviet society. Thanks to the growing disaposable income, as we as urbanization and an increase in available leisure time, people's desires were becoming more sophisticated: from buying more consumer goods, to eating out at restaurants, to investing in their physical appearances .[433] The state itself promoted sophisticated consumption by expanding individual housing, developing the production of household

[432] Koenker, "The Smile behind the Sales Counter," 1-25. The wages of the service workers in the Soviet Union were historically low, Koenker argues, because production was privileged over service and service workers were believed to be producing no "additional wealth".

[433] David Crowley and Susan Reid, "Introduction: Pleasures in Socialism," in *Pleasures in Socialism: Leisure and Luxury in the Eastern Bloc* (Northwestern University Press, 2010).

items and personal cars, and organizing fashion shows.[434] Even Soviet sociologists acknowledged around this time that Soviet consumption had became more oriented towards ideas of prestige rather than simply satisfying basic needs.[435]

Shortages, however, often left people unable to satisfy their growing demand, even when they had adequate money to afford it. The Soviet State Bank (*Gosbank*) report claimed that while the amount of money in circulation from 1971 to 1986 increased threefold, the production of consumer goods in the same period of time grew only two times.[436] At the same time, retail prices remained stable for ideological reasons: in 1965, price stability, together with wage increases, became a major policy of the state to achieve prosperity of the population. Stable prices and an economic slowdown led to shortages.[437]

In order to satisfy their demand, people increasingly reached out to underground dealers: those who were engaged in illegal production of sought-after goods (most often using raw materials stolen from state factories), those who smuggled goods from abroad or bought them from foreigners coming to the Soviet Union, or those who worked in trade and resold ready-made goods from the retail sector for higher prices under the

[434] On housing, see Harris, *Communism on Tomorrow Street*; on cars: Lewis Siegelbaum, "Cars, Cars, and More Cars: The Faustian Bargain of the Brezhnev Era," in *Borders of Socialism* (Springer, 2006), 83–103; on household items: Reid, "This Is Tomorrow"; on fashion: Jukka Gronow and Sergey Zhuravlev, *Fashion Meets Socialism: Fashion Industry in the Soviet Union After the Second World War* (Finnish Literature Society / SKS, 2015).

[435] I. T. Levykin and A. A. Voz'mitel' (eds), *Sovetskii obraz zhizni: Sostoianie, mneniia i otsenki sovetskikh liudei* (Moscow, 1984).

[436] RGAE, f. 2324, op.33, d. 741, l.98-101.

[437] On slowdown: Harrison, "Economic Growth and Slowdown"; On excess cash in Soviet economy: Kim, "The Income, Savings, and Monetary Overhang of Soviet Households"; Roman Kirsanov, *Perestroika: "Novoe myshlenie" v bankovskoi sisteme SSSR* (Moscow, 2011): 19-30.

table.[438] Those whose services were in high demand, such as hairdressers or car repairmen, also used their skills to make illegal profits, circumventing the official economy. The existence of the black market led to income redistribution: those involved in underground production, trade, and services amassed great wealth by collecting a huge portion of the money that the populace could not spend in the state retail system.

Even Soviet academic journals acknowledged this problem. In 1980, an economist named Tatyana Zaslavskaya published an article in which she wrote, "It is impossible to ignore the 'shadow' economy any longer. […] What happens is a covert re-distribution of incomes among various social groups, quite often causing appreciable damage to state interests".[439] The Research Institute of the State Planning Committee (*NIEI Gosplana*) arrived at a similar conclusion around this same time. The results of a study they conducted indicated that the scale of redistribution of income due to the underground economy was "quite large".[440]

According to the reports of the State Bank of the USSR, while the total earnings of the general population grew two times from 1964 to 1975 (from 115 bln rubles to 267 bln rubles), the earnings of the black marketeers (*spekulianty*) grew 12 times in the same period (from 200 mln to 2.5 bln rubles)[441]. As Yuri Kashin, the deputy head of the

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[438] On *fartsovshchiki*, those who sold goods that they had bought from foreigners see: Pavel Romanov, and Elena Iarskaia-Smirnova, "Fartsa: Podpol'e sovetskogo obshchestva potrebleniia," *Neprikosnovennyi zapas* vol. 43 (2005): 62–68.

[439] T. Zaslavskaya, "Ekonomicheskoye povedeniye i ekonomicheskoye razvitiye," *Ekonomika I organizatsia promyshlennogo proizvodstva EKO* 3 (1980): 30.

[440] *Aktual'nyye metodologicheskiye problemy narodnokhozyaystvennogo planirovaniya*, (NIEI pri Gosplane SSSR, 1980): 59. Cited in Cited in V. Rutgaizer, "Shadow Economy in the USSR," *Berkeley-Duke Occasional Papers on the Second Economy in the USSR* 34 (1992): 6.

[441] For 1964: "1964 Report of the State Bank of the USSR," *Po stranitsam arkhivnykh fondov Tsentral'nogo Banka Rossiiskoi Federatsii,* no. 7 *Denezhnoe obrashchenie v SSSR v dokumentakh (1965–1975 gody),* (Moscow, 2009): 7; for 1975: "1975 Report of the State Bank of the USSR," *Po stranitsam*

department of money circulation of the State Bank of the USSSR, explained in his 1972 report to his superiors, the share of the bank accounts of the wealthiest group of Soviet citizens was growing rapidly. While in 1965 the share of personal bank accounts with more than 2500 rubles on each constituted only 0.9% of all the accounts and those accounts contained 11% of the money on all of the accounts, in1971 there were already 4% of such accounts and they covered 26% of all the money. The growth of this type of accounts was much faster than the growth of accounts with smaller sums. "The described trend", Kashin argued, "is to be explained not by the measures of improving the well-being of the broader masses of Soviet citizens (such as raising wages) but rather by a dangerous phenomenon of illegal redistribution, which intensified due to consumer goods' shortages"[442].

The new consumer sector wealthy group was different from elite groups that had emerged earlier in Soviet society. They got their possessions not as a reward from the state but through cash and illegal activities. Their exclusive access to scarce resources and particular skills proved valuable to consumers who invested them with their unused disposable income.

In Western countries, consumer sector workers also became a significant group in the 1960s and 1970s due to the growth of consumer economy with the post-industrial flow of workers from manufacturing sector to the service sector.[443] However, in the West, service workers did not in any sense become a privileged group, and were often

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arkhivnykh fondov Tsentral'nogo Banka Rossiiskoi Federatsii, no. 8 *Denezhnoe obrashchenie v SSSR v 1976–1985 godakh (vedomstvennye dokumenty)* (Moscow, 2009): 23.

[442] "On the state of money circulation (1972 analytical report)," *Po stranitsam arkhivnykh fondov Tsentral'nogo Banka Rossiiskoi Federatsii,* no. 7 *Denezhnoe obrashchenie v SSSR v dokumentakh (1965–1975 gody),* (Moscow, 2009): 94.

[443] See, for example, Cohen, *Consumers' Republic*: 121.

perceived as lower class. Indeed, customers in the West usually felt a sense of superiority towards the workers who served them. Meanwhile, in the Soviet Union with its lack of legal private economic activity, state service sector workers became not just employees but businessmen.

The Wealth of Underground Dealers in the 1970s

The development of a consumer sector not only created demand and led to the enrichment of underground entrepreneurs, but it also created more possibilities for the newly-rich entrepreneurs themselves to convert their illegal earnings into goods and services. By the late 1970s, they coalesced into a specific well-off social group whose members enjoyed a luxurious lifestyle thanks to their illegal wealth. Different sources, from sociological studies to personal diaries, show that in the late Soviet period, individuals from the service sector, such as hairdressers, car repairmen, salesclerks, waiters and barmen, became a new elite in big Soviet cities. By "elite," I refer primarily to their material possessions and lifestyles, as well as the attitudes that other social groups harbored towards them. These people possessed goods that were markers of material well being: apartments and dachas, cars and advanced appliances, and fancy imported clothes. They also lived lifestyles deemed extravagant by Soviet standards: vacationing on luxurious resorts, eating out in fancy restaurants, wearing furs and jewelry.

Statistical data on growing wealth of this group is hard to come by. This is especially because Soviet statistics that traced possession of material goods, as any other statistics about Soviet society, divided the populace only into three categories ("classes"): workers, collective farmers and white collar workers (*sluzhashchie*). Consequently, we

cannot find evidence on the material well being of representatives of specific professions. However, we can find other type of sources to trace the emergence of this new, elite service class group. For example, in a report issued by the Minister of Interior Affairs of Ukraine and submitted to the Central Committee of the Communist Party of Ukraine on corruption among officials responsible for the distribution of state housing in Kiev of 1975, said: "[For bribes] the officials provide apartments to those who are not in the waiting list. For example, a three-bedroom apartment was allotted to Lodina, an employee of a hair salon."[444] This anecdote shows that a hairdresser in Kiev in 1975 had enough money (and connections) to persuade officials to allot her a big apartment. Similarly, the Committee of People's Control in Georgia wrote in its report of 1976 that car repairmen whose official salary was only 82 rubles per month were able to set aside about 1000 rubles every month (money their earned from illegal private activity).[445] The average monthly salary in the Soviet Union at that time was about 180 rubles, and the salary of the head of Georgia (first Party secretary) was 600 rubles.[446]

The occasional statistic on service sector workers does exist. For example, the Georgian newspaper "Zaria Vostoka" referred to a study conducted by Georgian authorities which claimed that 40% of owners of expensive imported cars in 1985 were service sector workers (car repairmen, shoemakers, salesclerks). A Soviet ideological brochure, which quoted this data reminded its readers that an imported car cost about 100

[444] Tsentral'nyi Derzhavnyi Arkhiv Hromads'kykh Ob"iednan' Ukrainy (hereafter TsDAHO), f. 1, op. 25, d. 1245, l.236.

[445] GARF f. 9527, op.1, d.5181, l.2; 40.

[446] For the average salary: *SSSR v tsifrakh v 1981 godu* (Moscow, 1982): 86; for the salary of the first Party secretary of Georgia: SShSSA f. 14, op. 51, d. 755.

times the average salary if bought in an official consignment store (*komissionnyi magazin*), and even more on the black market. [447]

Indeed, Georgia, as well as Central Asian Soviet republics, was especially well known for widespread illegal economic activity. [448] That was partially because ethnic minorities had closely networked communities which made underground activities easier.[449] Ronald Suny notes that, according to official Soviet statistics, while national income growth in Georgia during the 1970s was the third lowest in USSR, the average Georgian's savings account was twice the Soviet average.[450]

In June of 1979, the screenwriter Anatoly Grebnev, while visiting a resort on Soviet Abkhazia's Black Sea coast, noted in his diary that only "people from trade" can afford staying in a luxurious Inturist hotel intended for foreign tourists. He explained that for members of the *nomenklatura* and the cultural intelligentsia, there were special hotels (*doma tvorchestva*), for which they received vouchers to attend. The "middle class," as he called it, such as workers and engineers, had to rent small private rooms and houses from

[447] Alexander Shokhin, *Neprimirimost' k netrudovym dokhodam* (Moscow, 1986): 53. Foreign cars were not officially imported to the Soviet Union; they were brought to the USSR only by individuals and then sold through consignment stores or on the black market.

[448] On Georgia: Mars and Altman, "The Cultural Bases of Soviet Georgia's Second Economy," 546-560; Scott, *Familiar Strangers*, chapter 5. The widespread character of second economy among Georgians and their preoccupation with conspicuous consumption was reflected in jokes: Emil Draitser, *Taking Penguins to the Movies: Ethnic Humor in Russia* (Wayne State University Press, 1998). On Central Asia: Gerald Mars and Yochanan Altman, "The Cultural Bases of Soviet Central Asia's Second Economy (Uzbekistan and Tajikistan)," *Central Asian Survey* 5, no. 3–4 (1986): 195–204; Sahadeo, *Voices from the Soviet Edge*, chapter 6.

[449] On the argument about closely networked community regarding Georgia, see Scott, *Familiar Strangers,*159.

[450] Ronald Ronald Grigor Suny, *The Making of the Georgian Nation* (Indiana University Press, 1994): 304.

locals, while the elite ("by which I mean people from trade") could afford to buy access to Inturist hotels, which had private beaches.[451]

Soviet film from the time prominently featured wealthy service workers. Salesclerks who grew rich thanks to the opportunities that their jobs provided them had always been targets of mockery and condemnation in Soviet films. However, by the end of the 1970s, service workers became the main protagonists of movies. For example, *"Ty – mne, ia – tebe"* ("I Scratch Your Back, You Scratch Mine"), a film from 1976, told the story of a black caviar-eating bathhouse worker who enjoys a luxurious lifestyle thanks to his numerous private clients. Another film, *Blondinka Za Uglom* ("The Blonde around the Corner" 1984), followed a young woman who works in an ordinary grocery store and wears beautiful, Western-made clothes, whose brother drives a Chrysler and joins her as she dines in best restaurants and visits spas with her friends. In *Vremia Zhelanii* ("Time of Desires"), from 1984, a beautician named Svetlana works in a beauty salon, smokes American cigarettes, furnishes her apartment with fancy furniture, and purchases expensive eyeglasses for her husband identical to those worn by high-ranking Soviet ministers. Even an underground producer of fashionable sneakers in *Posledniaia Indul'gentsia* (1985) is shown enjoying a luxurious lifestyle. The main goal of these movies was to mock consumerism and expose the moral deficiency of materialistic values. However it is telling that they singled out the consumer sector workers as the main representatives of the lavish lifestyles. Bathhouse worker, beautician, salesclerk and

[451] Anatoly Grebnev, *Dnevnik poslednego stsenatista. 1945-2002* (Moscow, 2006): 168. The official report of the Inturist hotel in Dagomys resort on the Black sea, also meant for foreign tourists only, showed that in 1987 a little more than half of all tourists who stayed there were actually Soviet citizens (GARF, f. 9612, op. 3, d. 2085, l. 93).

an underground producer were shown as the main hedonists of the Soviet society (although morally condemned).

Another valuable source for tracing service sector workers' material possessions comes from Soviet sociological research. Qualitative sociology, unlike statistics, had by the end of the 1970s begun to treat service sector workers as a specific social category. For example, a survey conducted in Leningrad in 1982 studied the material well being of four different social groups: workers, engineers, teachers, and service sector workers. The author noticed a remarkable fact: while the average salary of service workers was the lowest among four studied social categories, their "subjective perception" of their own material well-being was the highest. The author briefly noted that this might be explained by the fact that this group had some non-registered earnings.[452]

The Ways of Getting Illegally Rich: Service Sector

Those who managed to grow rich thanks to their access to scarce resources or skills were either those who produced sought-after goods and services unofficially or those who just redistributed existing goods and services (although it was sometimes hard to distinguish between the two).

Some people used their position in retail or services. Because of the high demand and short supply for some of the goods available in the regular Soviet stores, sales assistants who worked there could have kept some of the most sought-after goods under the counter and then sell them for higher prices. Those who worked in services, such as

[452] T.Z. Protasenko, "Osnovnye Kharakteriski Material'nogo Blagososto ianiia," *Sotsiologicheskie Issledovaniia*, no. 3 (1985): 101–110.

aforementioned hairdressers, could have used their position to find wealthy clients and then serve them on a private basis charging much more than the state fix price. Popular hairdressers were scarce and thus their illegal earnings were often high. Moreover their clients were often those who had advantageous positions themselves and thus hairdressers got valuable connections as well.

For example, in Moscow official statistics record showed that there were enough hair salons for the number of inhabitants, but the official prices were low and the quality was often quite bad; meanwhile, select salons or specific hairdressers who provided high quality services were very popular among clients and the waiting lists in these salons tended to be rather long.[453] Since the state-mandated fixed prices for the service even of these popular hairdressers were still low, they used their popularity to their own profit and charged much higher prices unofficially.[454]

Alexey Efimovich, who worked in a popular hair salon in Moscow in the 1970s, recalls that his hair salon existed as a kind of "elite club". [455] While his clients included famous actors and composers, as well as highly ranked officials, they also included restaurant waiters and car repairmen. All of them arrived at his hair salon "with good cars and wearing expensive clothes." Thanks to those clients, Efimovich not only earned tips larger than his salary, but he also had a lot of private orders cutting hair in the homes of

[453] See a discussion of it during *Perestroika*: GARF, f. 7523, op. 145, d. 39, l. 101-102.

[454] On growth of hairdressing services in the USSR since 1960s see: Gronow and Zhuravlev, *Fashion Meets Socialism;* Danielle Leavitt-Quist, ""The Whole Country is at the Hairdresser:" Soviet Salons and the Making of a Modern Hairstyle for the Masses," (Paper presentation at Harvard REEH Workshop, September 2020). See also, a popular Soviet short story by Irina Grekova, "*Damskii master*" (The Ladies' Hairdresser) (1963).

[455] Interview with Alexey Efimovich, *Moskvich Mag* (August, 2019). Accessed June 6, 2020: https://moskvichmag.ru/lyudi/staraya-moskva-kak-ya-rabotal-v-1970-h-v-parikmaherskoj-1-na-ulitse-gorkogo/

wealthy people. These connections allowed him to improve his skills further: those of his clients who were able to travel abroad brought him professional scissors, styling brushes and hair dryers, which were not available in the Soviet Union, and thus made him an even more in-demand hairdresser. As a result, Efimovich himself became wealthy: he bought the best available clothes from the black marketeers and dined in the best restaurants in Moscow.

Another profitable service job, as mentioned above, was repairing cars. In 1988, Tatyana Koryagina, an economist from the Research Institute of Gosplan, claimed that repairing cars constituted the biggest share of the shadow economy in services.[456] Two factors might explain this situation. First, the number of state car repair shops was growing much slower than the number of cars produced. As a result, mechanics were always in short supply. Second, car owners were usually wealthy enough to pay extra for under-the-counter car repair services. A 1985 joint report of various ministries to the Council of Ministers of the USSR claimed that the population's expenses for car maintenance grew significantly in the late 1970s and early 1980s, and 50% of the volume of these expenses went to private repairmen.[457] The ministries explained that car repair infrastructure was underdeveloped and its coverage did not correspond to the number of cars owned, which made customers reach out to private repairmen. For their unregistered services, these dealers earned between 500 and 600 million rubles a year.[458]

[456] "Zachem parikmakheru ministr": Interview with Tatyana Koryagina, *Izvestiya*, January 29, 1988, 3.

[457] GARF, f. 5446, op.145, d.382, ll.40-44.

[458] More on inefficiencies of official car repair services see, Siegelbaum, "Cars, Cars, and More Cars"; Elena Tverdiukova, "Antiservis: Lichnyi Avtomobil' i Ego Tekhnicheskoe Obsluzhivanie v SSSR (1960-e — 1980-e Gg.)," *Noveiishaia Istoriia Rossii* 8, no. 3 (2018): 659–78.

The Ways of Getting Illegally Rich: Underground Production

Another way of getting rich through consumer sector, besides working in retail trade or popular services, was to produce popular goods underground.[459] These were usually cases when people had access to the state production facilities and used them to their own profit. Most often these were people who worked in the small-scale production units, for example state tailor shops or so-called *dom byta* ("consumer service establishment"), in which people could have get their own goods repaired or new goods produced on their order. These institutions usually were less controlled by the state than big factories and could have more easily produced unregistered goods. The most popular item to produce was clothes, but dealers also produced various household items. This kind of dealers got a popular name of "*tsekhovik*" from "*tsekh*", workshop.[460]

Often these dealers produced clothing similar to the imported one, which was very popular with the consumers and always in short supply. They were imitating the designs of Western clothing either taking the models from the fashion journals brought from abroad or by ripping up the original Western clothes.[461] In some cases they tried to pass their production off as goods really produced in the West putting specific labels on

[459] More on underground production: Steven Sampson, "'May You Live Only by Your Salary!': The Unplanned Economy in Eastern Europe," *Social Justice* 15, no. 3/4 (33-34 (1988): 148–150; Marianna Zhevakina, "Sovetskie Tsekhoviki: Etika 'Levykh' Otnoshenii," *Neprikosnovennyi Zapas* 5, no. 133 (2020): 207–217.

[460] Apparently, this word emerged only in early 1980s although the phenomenon existed at least since 1950s. Gilles Favarel-Garrigues noticed that it began appearing in criminal reports of the Ministry of Interior Affairs in 1981: Favarel- Garrigues. *Policing Economic Crime in Russia,* 61. In the middle of 1980s this word began to be widely used in the press: *Novye slova i znachenia: Slovar'-spravochnik po materialiam pressy i literatury 1980-kh godov*. (Moscow, 1997), 605.

[461] See more in Anna Ivanova, "'Samopal Pod Firmu': Podpol'noe Proizvodstvo Odezhdy v SSSR v 1960e-1980e.," in *Fashion, Consumption and Everyday Culture in the Soviet Union between 1945 and 1985*, vol. 54, Die Welt Der Slaven. Sammelbände/Sborniki (München: Verlag Otto Sagner, 2014), 73–89.

it.[462] Alexey Yurchak in his description of the concept of the "imaginary West" (a category which implied the importance of elements of the Western culture, such as music or clothes, for the late Soviet generation) noticed that label was important not as a sign of a specific brand but rather as a sign of belonging to the West.[463]

For example, in early 1980s a group of employees of a tailor shop number 3 in Kharkiv, Ukraine started using the equipment and fabrics of the tailor shop to produce fashionable shirts, sweaters, jackets, T-shirts, and bags off the books. [464] The managers of the tailor shop hired tailors for extra-payment to work extra hours and quickly expanded their illegal production. They sold their goods not only in Kharkiv but in a lot of cities of Ukrainian and Russian republics on the local collective farm markets or through a chain of profiteers (some of them worked in the same tailor shop, some were unemployed, some worked in other places, such as state stores or even nail salons; one of them even was a music teacher). On the collective farm market in the resort city of Evpatoria this clothes was bought not only by final customers but also by other traders coming from distant Northern Soviet regions such as Komi, Omsk, Severodvinsk (North and Urals)

[462] This was to some extent similar to the widespread practice of producing counterfeit consumer goods sold under popular brand names today. An important difference however is that fake goods today are sold for much lower prices than the original for those consumers who do not have money to buy the original but want to own it. Meanwhile in the USSR the prices for imitations of Western labels were the same as for the original and people were buying them not because of the lack of money but because of the short supply.

[463] Yurchak, *Everything Was Forever, Until It Was No More*,196-7. Olga Vainshtein noticed that the activity of *tsekhoviki* symbolized an important industrial shift when the pre-revolutionary tradition of individual hand-made production of clothes was replaced by the reproduction of standard Western models with labels being more important than skills of the tailor: Olga Vainshtein, "'Moio Liubimoe Plat'e': Portnikha Kak Kul'urnyi Geroi v Sovertskoi Rossii," *Teoriia Mody: Odezhda, Telo, Kul'tura*, no. 3 (2007): 100–126.

[464] SBU Archive, f. 7, op.1, d. 56, ll. 191-246. The full name of the facility was "factory of individual tailoring" (*fabrika indposhiva*) and it had several tailor shops across the city. The factory was subordinate to the department of consumer services (bytovykh uslug) of the city administration. The tailor shops completed orders for sewing and repairs of clothes and sometimes for small-scale production for the state retail according to the state plan, if needed.

who made large-scale purchases and then resold those goods in places, which they came from. These goods were thus spread across almost the whole Soviet Union. According to the local police in various cities these goods were very popular with the local population although prices were higher than in regular Soviet stores (man's shirt cost 12 rubles as opposed to 8 rubles in the official retail).



Figure 15. Sportswear jacket produced by the Kharkiv group (bought at a collective farm market in Zaporozhie in early 1980s).

During the peak summer months the profit of this enterprise was about 280 thousand rubles per month. The main organizers of the production had an unofficial salary of 6000 rubles per month each (about 30 times average salary). According to the police search performed at their houses at the moment of their arrest in 1986, they spent their earnings on jewelry, cars, furniture, paintings, foreign-made electronics such as video and audio equipment, as well as videotapes with Western movies (smuggled for

them by international students of the Kharkiv universities)[465]. The head of the group, Felix Davydov, born in 1948 (38 years old when arrested), a photographer by education, who worked as a goods manager (*tovaroved*) at the tailor shop, bought himself a private house in Kharkiv for 40 thousands rubles, a dacha for 50 thousands, furniture worth 100 thousands, and a few cars. All of the dealers were also informers of the local police and made regular gifts to the law enforcement officials. Davydov was also planning on becoming a party member to make himself more safe. He had a lot of friends in the local Party region committee, who, as KGB investigation showed, celebrated their birthdays in Kharkiv's best restaurants at the expense of Davydov (all of which shows the interconnection of the "old" and the "new" elites. However as a result of a denunciation to KGB the whole group was arrested in 1986 for the theft of socialist property (released in a few years because of Perestroika).



Figure 16. Photo of Felix Davydov in the 1990s, when he became a legal businessman

[465] These were mostly students from the Third World countries. There were about 18 thousand of the students from the Third World countries in all of the Ukrainian colleges in late 1970s: SBU Archive. f. 16, op. 1, d. 1225, p. 159.

Clothing was not the only popular type of good produced by underground entrepreneurs in the late Soviet Union. There were also various household items. For example, in the 1970s David Mordekhov started producing extremely popular ceiling lamps in Moscow. [466] Mordekhov worked in a consumer services workshop (*tsekh bytovogo obsluzhivaniia*), which was supposed to make small metal works on citizens' orders (such as repairs of household items).[467] In 1972 when he was 35 Mordekhov travelled to Poland as a tourist. In a local store he saw a chandelier made of artificial crystal. Nothing like that was sold in the Soviet retail and Mordekhov immediately realized there would have been great demand for such lamps in the Soviet Union. The lamp was an imitation of a real crystal chandelier and a lot of people, Mordekhov thought, who did not have enough money for a crystal lamp, would have been happy to buy a plastic imitation. He bought the lamp, brought it home and started showing it to various experts trying to get to know which material it was made of. He finally found out it was type of plastic called polystyrol and he found a warehouse in Moscow, which had this material in stock (polystyrol was imported to Soviet Union from Europe for the toy-producing factories). He bought some polystyrol from the warehouse officially for the needs of his workshop and he also bought a molding press for plastics from a factory, which did not need it anymore.

With this press he and his colleagues tried to produce a few plastic chandeliers like the one Mordekhov brought from Poland and then sell them through the chain of kiosks all over Moscow, subordinate to the workshop Mordekhov worked in (the kiosks

[466] Interview with David Mordekhov, October 2013, Moscow.

[467] The workshop was subordinate to the department of consumer services of the Moscow city administration (*Upravlenie bytovogo obsluzhivania Mosgorispokoma*).

were supposed to take citizens' orders for metal repairs). Mordekhov turned out right: the lamps were extremely popular with the consumers and were quickly sold out. Mordekhov started to expand his production. The cost of production for one lamp was 3 rubles, while he sold them for 25 rubles each (730% profit). After a few months he procured more presses and more polystyrol, hired more employees (he paid to his regular employees off the books 3 times more than they earned officially) and soon was able to produce about 150-200 lamps per day. By giving bribes to the law enforcement and having friends in all of the control agencies he was able to develop his business for over 5 years.[468] Thanks to his huge illegal earnings Mordekhov was able to buy paintings and icons to decorate his apartment, drove a Japanese car[469], his wife wore diamonds, and they stored about 13 mln rubles in cash buried at their dacha. [470]

[468] In May 1977 Mordekhov and his colleagues were arrested and convicted to 12 years in prison for the theft of socialist property on a large scale. It was hard to prove what exactly they had stolen and Mordekhov hoped their case could have been re-interepreted as just "entrepreneurial activity" (*chastno-predprinimatel'skaya deiatel'nost*), another article of the Criminal Code, the maximum punishment for which was 5 years. However the group ended up being accused of the theft of the state electricity, which they used for their production. The investigation was made by the KGB and Mordekhov believed their case was part of the well known struggle of Yuri Andropov, the head of the KGB, against Nikolaii Schelokov, the head of MVD, which got its full implementation around the same time in the form of numerous arrests and executions for economic crimes during the so-called "*Rybnoe delo*" (fish case), a criminal investigation of large-scale corruption in Soviet fish industry. See more in: Fiodor Razzakov, *Korruptsia v Politbiuro: Delo "Krasnogo Uzbeka"* (Moscow, 2009); Clark, *Crime and Punishment in Soviet Officialdom,*163-183. More on the KGB campaign on economic crimes after Brezhnev's death in 1982, see: Duhamel, *The KGB Campaign Against Corruption in Moscow, 1982-1987*.

[469] Foreign-made cars were not officially sold to the population in the Soviet Union but a small number of them were imported to be used by foreign diplomats in Moscow through the Ministry of Foreign Affairs. These cars could have been written-off if they were considered to be broken and in that case could have been sold through a consignment store. Through connections Mordekhov learnt about a Datsun car being sold in Moscow and was able to buy it through a consignment store (more on imported cars see below).

[470] Apart from investing illegal wealth into luxury goods or burying them on one's dacha, the newly rich were sometimes thinking of fleeing abroad. In a KGB internal brochure on the illegal operations with foreign currency written in 1977 colonel Griaznov wrote that "those who got illegally rich, especially Jews, [were] trying to reach out to smugglers to smuggle their wealth abroad before they leave". Griaznov G.I. *Bor'ba s nezakonnymi valiutnymi operatsiami I konrabandoii*. Moscow, 1977, SBU Archive. f. 13, op.1, d. 861, l.5.

The Ways of Getting Illegally Rich: Smuggling

One more way to get large illegal earnings in the late Soviet Union through consumer sector was to smuggle sought-after goods from abroad for sale. Western-made goods were very popular in the Soviet Union but because of the state monopoly for foreign trade it was hard for consumers to get a hold of them. Although the imports of consumer goods was growing every year especially after the rise of the Soviet oil revenues, it was still not enough and imported goods were always in short supply.[471] *Fartsovshchiki* were buying goods from foreign tourists or diplomats and then reselling them to the final consumers.[472] But larger supplies came from the smugglers, mostly Soviet sailors who worked abroad.

Archival materials show that sailors in all of the Soviet ports, be it on the Baltic sea in the North or on the Black Sea on the South, engaged in illegal imports.[473] Soviet Sailors travelling to overseas ports usually received small day allowances (per diem) in foreign currency from the state, and they were not allowed to make any additional currency exchange operations. However, they brought more rubles with them from the Soviet Union to foreign ports, exchanged them illegally for local currency in overseas ports, and bought consumer goods on them. In a lot of overseas ports there were people, often Russian-speaking (emigrees from the Soviet Union or other socialist countries), who were ready to exchange rubles into local currencies on a much more convenient exchange rate than official Soviet exchange rate (the rubles these people

[471] On the growth of consumer imports at the expense of oil exports, see: Maria Slavkina, *Triumf i Tragediia: Razvitie Neftegazovogo Kompleksa SSSR v 1960-1980-e Gody.* (Moscow, 2002): 144-153.

[472] Romanov and Larskaia-Smirnova, "Fartsa: Podpol'e Sovetskogo Obshchestva Potrebleniia," 62-68.

[473] See also Tomasz Blusiewicz, "Return of the Hanseatic League or How the Baltic Sea Trade Washed Away the Iron Curtain 1945-1991." (PhD diss., Harvard, 2017), chapters 3, 4.

received as a result they then resold to the diplomats who went to work in the Soviet Union).[474] Sometimes the same people owned small stores in the ports, which sold goods popular with the Soviet sailors. Soviet sailors then brought goods back to the Soviet Union hiding them from the Customs and then re-sold them by themselves or through a chain of profiteers to Soviet consumers. Popular goods sailors usually brought included nylon scarves, coats, dinnerware sets, bedcovers, tablecloths, pens, lighters, kids clothes, shoes, and Japanese electronic watches and transistors.[475]

For example, in 1970 Sergei Sarkisov, a 22-year-old mechanic on a Alagir ship, which went from the port of Batumi in Georgia to Gibraltar, a British Overseas Territory on Spain's south coast, bought and brought back 179 nylon women scarves.[476] According to the Soviet customs rules they were allowed to bring back no more than two nylon scarves per person for personal use. Sarkisov was officially given 12 British pounds but he secretly took 925 rubles with him and exchanged them in Gibraltar for 60 more British pounds. Sarkisov bought 179 nylon scarves in Gibraltar, hid them in the vent pipe of the ship and did not declare them when re-entering Soviet Union. The scarves were confiscated and sold by the state through a consignment store for 1484 rubles. Some sailors were more ambitious. Around the same time Alim Gedenidze, an electrician at a tanker called Aktau, sailing from the Black sea port of Tuapse, to London and Rotterdam, brought back 1398 nylon scarves for sale.[477]

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[474] Griaznov G.I. *Bor'ba s nezakonnymi valiutnymi operatsiami I konrabandoii*. Moscow, 1977, SBU Archive. f. 13, op.1, d. 861, l.26.

[475] Security Archive of Georgia f. 6 d. 7006, 7008; SBU, f. 16, op.1, d.1225, l. 146; 160-161.

[476] Security Archive of Georgia, f. 6, d. 7009.

[477] Security Archive of Georgia f. 6 d. 7008;

Nylon scarves were indeed very popular with smugglers. First, Soviet women were eager to buy them. Second, they were easy to hide and transport in big quantities. By 1978 the illegal import of the nylon scarves became so widespread that the Ministry of Finance of the USSR decided to increase the custom duty for those scarves almost seven times (from 2 rub to 20 rub per item). As a result The Main Customs Department received a lot of letters from the population (presumably smugglers but maybe some tourists as well) saying the duty was unfair since the same scarves were sometimes officially sold in the Soviet stores for only 5-7 rubles a piece.[478] In 1978 new customs duties were introduced for items, which were most often brought from abroad by smugglers. It turns out the most popular goods at that time were all types of clothes made out of jeans fabric.[479]

In 1976, according to the new instructions, the sailors of Soviet ships were allowed to bring to the Soviet Union foreign-made cars (only one car per person in 5 years period of work, i.e. for personal use only).[480] Before that only Soviet artists and athletes going on tour or sports events and getting honoraria for that were allowed to import cars and their number did not exceed 70 items per year.[481] After sailors were allowed to import cars, their number grew to 1000 items per year, i.e. almost 15 times, although the customs duty for bringing a car to the USSR was 200% of its price. A lot of sailors managed to persuade European car vendors to put a falsified price in the

[478] RGAE, f. 413, op. 32, d. 475, l.65-67.

[479] RGAE, f. 413 op. 32 d. 475 ll.155-177

[480] RGAE, f. 413 op. 31 d. 9848 l.23-27;

[481] See more in Anna Ivanova, *Magaziny Beriozka: Paradoksy Potrebleniia v Pozdnev SSSR* (Moscow: NLO, 2017): 133.

documents in order to decrease the 200% duty. Cars were mainly imported through the port of Kaliningrad.[482]

The Customs officials explained in their 1978 report to the Central Committee that the goal of bringing foreign cars was the "extraction of non-labor income because of the substantial difference between the prices of these cars abroad and in our country".[483] What they meant was that there was a huge demand for foreign-made cars in the Soviet Union, primarily among the underground dealers, and they were ready to pay high prices for them. Thanks to the black market exchange rate of rubles, mentioned above, and to the market of rather cheap used cars in Europe, sailors were able to make a huge profit out of the these cars' sales in the USSR. In 1978 a rule was added that those who sold their imported cars had to pay to the state 50% of the price they got for the car through consignment store in addition to the 200% customs duty. But this did not stop the flow of cars.[484] In its 1978 report the Ministry of Marine wrote: "Around the purchases of cars in overseas ports there is an unhealthy agitation, which humiliates the honor and dignity of Soviet sailors. Even foreign police and security services got interested in this phenomenon".[485]

Although the activity of smugglers was dangerous and they were often arrested, it is remarkable that in 1980-87 no one of them, according to a KGB internal brochure, got death penalty for their illegal foreign currency operations, even large-scale[486].

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[482] See also, Blusiewicz, "Return of the Hanseatic League," chapters 3, 4. (esp. p. 266)

[483] RGAE, f. 413 op. 31 d. 9848 l.26

[484] RGAE f. 413 op. 32 d. 475 l. 147.

[485] RGAE f. 413 op. 32 d. 475 l. 253-255.

[486] Bantyshev A.F. *Narushenie pravil o valiutnykh operatsiakh po Sovetskomu zakonodatel'stvu. Posobie dlia prakticheskikh rabotnikov*. Moscow, 1979 (classified). SBU Archive. f. 13, op.1, d.868, l.44.

The informal imports of various foreign goods not only offered new opportunities for Soviet consumers, but it also allowed the sailors to grow wealthy. Boris Khenkin was a musician of an orchestra, which played at a Soviet river tour-boat, travelling from the port of Ismail in Odessa oblast' in Ukraine to Austrian river ports along the Danube river.[487] In 1967-1973 time period he had been purchasing consumer goods in the ports of Vienna and Passau, bringing them to the Soviet Union, selling them through the chain of profiteers, and getting high profits in rubles. Among the goods he most often traded were multi-color ballpoint pens, wool and nylon scarves and cotton dresses. He and his colleagues from the orchestra brought 20 thousands wool scarves and 16 thousands pens in total. With his profits Khenkin was able to buy a 3-room cooperative apartment in Moscow. As a witness later recalled, Khenkin had a liquor cabinet with good choice of imported vines and cognacs. Khenkin also brought himself a Renault car, a Japanese tape-recorder and even a tape-recorder for his car, a very rare luxury item for that time period. He was able to get access to a sanatorium in Latvia on the Baltic seashore in Iurmala for cash, accessible only to higher officials and academic elite. Even after Khenkin's arrest in 1973 his wife had enough savings to bring him fancy imported clothes and good food to prison to the surprise of his fellow prisoners and guards.

[487] SBU Archive, f. 6, op.1, d. 58228.



Figure 17. Sanatorium Iaum-Kemeri in Iurmana in the 1970s.

The Ways of Getting Illegally Rich: Rock-musicians

One more way to get illegally rich was through monetization of popularity. A good example here are rock-musicians. Rock music became extremely popular among Soviet youth in the 1970s.[488] However it was not approved by the Soviet censorship and most bands could not have held officials concerts or produced official records. That is why they hold underground concerts and made underground tapes for their own profit. Piotr Podgorodetsky, a member of a famous rock-back "*Mashina vremeni*", recalled in his memoirs that in late 1970s the demand for band's music was high and they organized underground concerts and sold tickets on rather high prices.[489] The profits were huge and

[488] Zhuk, *Rock and Roll in the Rocket City*.

[489] Underground concerts were either set in a rented restaurant or in an official venue such as *dom kultury* through connections with a manager or at just at somebody's apartment.

all of band members were able to buy any goods: fashionable clothes, Japanese electronic equipment, cars. [490] Podgorodetsky explains that since it was not possible to just go to a store and find what they needed, they either bought everything on the black market.

Anna Kan, based on her interviews and memoirs of both Moscow and Leningrad rock-musicians and producers of the 1970s, also claims that thanks to the underground concerts and tapes, these people could have grown really rich.[491] The demand was huge and people from various places across the Soviet Union, such as Vilnius in Lithuania, Kazan' in Tatarstan, and Kharkiv in Ukraine came to the concerts or just bought tapes (tape recorders became more and more available). As Kan's interviews show, there were discussions inside the underground rock community whether to legalize the business as much as possible (try to make the musicians members of the Union of Composers of the USSR and be able to organize their concerts in a legal way) or to keep it unofficial and thus be able to earn much more.

Sergei Zhuk argues that underground discos, organized in Dnieptropetrovsk in Ukraine in the late 1970s was a way to make big money for a lot of Komsomol officials who were in charge of the discos. They used their right to organize such events, bought the most popular Western music tapes on the black market and charged a high price as an entrance fee.[492] Another similar underground business was organization of the

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[490] P Piotr Podgorodetskii, *Mashina s Evreiiami* (Moscow, 2007): 46.

[491] Kan, "Living in the Material World"; Juliane Fürst et al., *Dropping out of Socialism: The Creation of Alternative Spheres in the Soviet Bloc* (Lexington Books, 2016), 255-276; Juliane Fürst's interviews with Moscow rock band also confirm that they "filled clubs every evening and made not insignificant amounts of money": Juliane Fürst, "'If You're Going to Moscow, Be Sure to Wear Some Flowers in Your Hair': The Soviet Hippie Sistema and Its Life in, Despite and with Stagnation," *Reconsidering Stagnation in the Brezhnev Era*, 2016, 131.

[492] Zhuk notes that this was exactly what allowed these Komsomol elites to become even more wealthy after 1991 when they legalized their business; among this "disco-mafia", as he called it, were the most powerful people of contemporary Ukraine like former president of Ukraine Petro Poroshenko and an

underground video-salons since the early 1980s, in which most recent Western movies were shown.[493] As a KGB search in an apartment of one of the arrested video-salon organizers in Crimea in March 1985 showed, he earned enough money to buy antiquarian goods, jewelry, and foreign cars[494].

Public Attitudes Towards the "New Rich"

From various sources we can clearly see that in the late 1970s the group of the newly rich, i.e. those who made a fortune thanks to their access to scarce goods and services popular among consumers, became an important social phenomenon. More important than statistics and specific examples of the wealth of the sector workers is their perception within Soviet society. As we can glean from a number of sources, beginning in the late 1970s, the growing importance of service sector workers in society provoked mixed feelings. What made this new elite different from the other Soviet elite groups was their ostensibly lavish lifestyle. While members of the *nomenklatura* usually hid their material privileges by shopping in windowless, closed-access stores and vacationing in special sanatoria, service sector workers flaunted their material possessions.[495] This was both appealing and problematic.

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opposition leader Yulia Timoshenko. Sergej Zhuk, "'The Disco Mafia'and 'Komsomol Capitalism'in Soviet Ukraine during Late Socialism," *Material Culture in Russia and the USSR: Things, Values, Identities*, 2017, 173–96.

[493] See, for example, a note in tamizdat journal *Vesti iz SSSR* about the arrest of Viktor Sevriugov, who organized such a salon in 1982 in Moscow: *Vesti iz SSSR* no.6, 1983. See also Sergej Zhuk, "The Disco Mafia," 184. The VCRs were not officially imported for retail in the USSR. They were either brought from abroad by individuals or sold in Beriozka stores: Ivanova, *Magaziny Beriozka*, 141-145.

[494] SBU Archive, f. 16, op.1, d.1225, l. 217-218.

[495] On isolated lifestyle of nomenklatura, see Simis, *The Corrupt Society*, 35-37.

For some, the enrichment of the dealers changed their ideas about occupational prestige. For example, a sociological survey conducted in 1979 in Krasnoyarsk studied teenagers' images of their "desired future. They were asked to describe their feelings about four different occupations: workers, scholars, engineers, and service sector workers. Service workers was the only group that the majority of the teenagers associated with "possession of a car, dacha, and fashionable clothes".[496]

As Natalya Chernyshova has shown, a growing number of people, especially Soviet youth, in the late 1970s saw a job in retail as more prestigious than a job that would elevate them to membership in the *intelligentsia*. They competed intensely for spots in technical colleges and professional schools[497]. Chernyshova quotes from a telling letter that a young man from Riga sent to the newspaper *Smena* in 1983: "Why should our young people strive for higher education? I am 30 years old, and I have a university degree. I spent three years working as I was supposed to in the field I'd been trained but then, through personal contacts [*po blatu*], got a job as a waiter in a restaurant where I work now. My university friend works as a barman in a pub. We are both well off. There you go!"[498]

The shift in the appeal of professions can also be seen in jokes told during this time. A popular joke, found in various diaries and attributed to 1977, went like this: "Once upon a time in a madhouse, the doctor asks the nurse, 'What's wrong with this patient? Why is he so agitated?' 'He says he is a butcher from the local store.' The nurse responded. 'And what's wrong with that?' the doctor asked. 'Well, it's megalomania!

[496] Nemirovskii, "Obraz Zhelaemogo Budushchego Kak Faktor Formirovaniia Sotsial'no-Professional'noi Orientatsii Podrostkov," 85-89.

[497] Chernyshova, *Soviet Consumer Culture in the Brezhnev Era*, 85-86.

[498] Chernyshova, *Soviet Consumer Culture in the Brezhnev Era*, 111.

Actually he's just an engineer" the nurse explained. [499] Here, a yearning to become a butcher – an elite, service sector position – was attractive enough to fuel delusions of grandeur, while a previously prestigious profession of engineer, associated with big Soviet technological projects, completely lost its attractiveness. Another joke, this one featured in the popular satirical magazine *Krokodil,* showed a king from a fairy tale telling his daughter she should not even think about marrying a prince, but rather the palace cook.[500]

The scriptwriter Anatoly Grebnev, mentioned above, wrote a lot about the emergence of the new elite in his diary. In September 1982, Grebnev described the wedding of a friend's son that he attended. He was amazed by the guests' social status. The groom's mother was a cashier in a retail store, the mother's best friend worked in a restaurant, the best friend's daughter was a hairdresser, and the daughter's husband worked as a barman. All of them were "fashionable, rich, but also cultured." They were not ashamed of what they did for a living, Grebnev noted, because they earned good money, which "is very important nowadays." "And can you imagine," Grebnev noted, "they are also more cultured than some of our engineers. They love good music and go to the theatre!" He concluded that the upper class now included not only government members but also hairdressers." [501]

The enrichment and luxurious lifestyles of the "new rich", however, were not widely approved of. A more common reaction, especially among members of the older

[499] A Soviet folklorist Natalia Sokolova wrote down this joke in 1977 in her unpublished collection of jokes stored at the Russian State Archive of Literature and Arts (RGALI), f. 3170. Cited in: Mikhail Melnichenko, *Sovetskiy Anekdot* (Moscow, 2014). 783.

[500] *Krokodil*, 9 (1980): 4.

[501] Grebnev, *Dnevnik Poslednego Stsenatista. 1945-2002*, 245-246.

generation, was indignation. We can see this, for example, in the flow of letters citizens sent to newspaper editors and state bodies.[502] As shown by these letters, people across the USSR appeared worried by the changes taking place in the social hierarchy of Soviet society in he 1970s. For example, in May 1979, a librarian from Kazan wrote a letter to *Pravda* to criticize what she saw happening in the city. "Our party and state officials maybe think that our people are very wealthy based on the long lines of people who wish to buy jewelry and other luxurious items," she wrote. "But I believe these lines are cause for grief, not pride! These long queues show that our society is divided. Those who stand in lines are people from trade, thieves, and profiteers. In the upper crust of our society, together with the higher-ups (*nachalstvo*), are now these people from trade, not the educated, intelligent people who used to constitute the upper class. Now the intelligent people have to go hat in hand to these wealthy profiteers!"[503]

Another letter, this one written by the Moscow architect named Viktor Sukhomlinov wrote a letter to the newspaper *Literaturnaya Gazeta* in 1981 in which he asked rhetorically: "Why do people who work as waiters in restaurants near Moscow own Mercedes cars, when almost nobody in the Soviet Union has one? Why do hairdressers wear extravagant sheepskin coats and manage to get tickets to the Bolshoi Theatre? Why can barmen afford vacations at Black Sea resorts?"[504] A person from Kharkov also wrote

[502] Letter-writing to the press and to the state bodies was a widespread genre in the Soviet Union since 1920s: Fitzpatrick, "Supplicants and Citizens". In the late 1970s the total number of letters to all Soviet central newspapers taken together amounted to between 60 and 70 million a year (Riordan, *Dear Comrade Editor*, 2). In a survey conducted by Soviet sociologists in the city of Taganrog in early 1970s, about 60% of respondents reported they had at least once communicated their concerns to the state bodies: Grushin, *Chetyre zhizni Rossii*, 611-693.

[503] RGANI, f. 5, op.76, d.116, l.41.

[504] It is worth noting that in this letter a cultural good such as a performance at the Bolshoi Theatre is mentioned in the list of material goods. Library of Congress, Rubinov Collection. b. 25, f. 59a, l. 43078. This and all other letters to *Literaturnaia Gazeta*, quoted in this paper, were written in response to the

to *Literaturnaya Gazeta* the same year to express his contempt towards his new neighbors, a young couple, she a salesclerk in a consignment store and he an employee at vegetable storage facility. "The couple shocked all our neighbors, the letter-writer claimed, - with the interior of their apartment. It contained crystal, fancy furniture, paintings on the walls, and expensive home appliances. How were they able to afford all that?" [505]

Soviet people used different arguments to express why they found the new elite's conspicuous consumption so inappropriate. Those close to the *nomenklatura* argued that newly-wealthy's main "sin" stemmed from the fact that their material comforts were secured with money alone, and without official approval. For example, Sergei Mikhalkov, a famous Soviet poet and the author of the Soviet anthem, published an angry satirical poem about this state of affairs in *Pravda* in 1985. The poem described two friends, "a wheeler-dealer" and "a grabber" (*delets i khapuga*), who went to a Black Sea resort for vacation. According to the poem, they were able to book a room at a resort that ordinary people could not access. They managed to do so "even without calls" [to high officials], using cash. At the resort, they wore fashionable jeans, smoked imported cigarettes, went to the hotel's private beach, and spent time in the resort's expensive bars. At the end of the poem, Mikhalkov reveals that one of the friends was a barman (and the other an accountant at a construction site). Mikhalkov also claimed in the poem that there

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article by Anatolii Rubinov "About the People who Live Beyond their Means" (July 1981); see more below. Rubinov's archive is stored at the Library of Congress; more on this archive, see Diane Koenker and Benjamin Bamberger, "Tips, Bonuses, or Bribes: The Immoral Economy of Service Work in the Soviet 1960s," *The Russian Review* 79, no. 2 (2020): 246.

[505] Rubinov Collection, b. 27, f. 62a, 49071.

were usually a lot people of this sort at resorts across the Soviet Union.[506] For Mikhalkov, the worst thing about these people was that they secured access to these luxurious goods and services not because of their official position or connections, but through their illegal earnings.[507]

In a different criticism, members of the cultural intelligentsia who disapproved of the new elite's lavish lifestyles did so because of what they perceived as their lack of culture.[508] As Natalya Chernyshova notes, films that mocked the consumerism of service sector workers did so not merely to fulfill the demands of state propaganda, but rather to express the status anxiety felt by the film directors themselves.[509] Filmmakers saw the new elite as a threat to their own material well being and used their films to defend their status "by denouncing material well-being as a form of ersatz culture" and juxtaposing the "bad" and "uncultured" wannabes to the "good" and "cultured" intelligentsia. [510] Thus, the intelligentsia's answer to the question of why the service sector elite did not deserve its lifestyle was that it was not cultured enough.

And they were not alone. A lack of culture was a popular reason to denounce service sector workers among the wider population as well. A pensioner from Krasnoperekopsk, in Crimea, wrote with indignation to *Literaturnaia Gazeta* in 1981

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[506] Sergei Mikhalkov, "Khapugi na Yuge," *Pravda*, October 5 (1985): 6. I am grateful to Alekseii Popov for letting me know about this poem.

[507] The feel of frustration among cultural elite, especially academics, about the enrichment of the service workers was also related to the fact that while their salaries in the 1930s-1950s were much higher than those of the rest of society, they became an average by 1970s (thanks to the official trend of decreasing the wage gap), while the (illegal) earnings of the service elite were growing. On cultural elite's wages, see Zezina, "Sovetskaia khoudozhestvennaia intelligentsia".

[508] This corresponds to the classical Pierre Bourdieu's notion that the elite always tries to keep its dominant position in the society by exploiting the idea of "taste", Pierre Bourdieu, *Distinction: A Social Critique of the Judgement of Taste* (Harvard University Press, 1984).

[509] Chernyshova, *Soviet Consumer Culture in the Brezhnev Era*, 66-78.

[510] Chernyshova, *Soviet Consumer Culture in the Brezhnev Era*, 66.

about a woman who worked in a restaurant. In his letter, the pensioner noted that, although the restaurant employee "hardly knew how to read," she was able to buy herself a cooperative apartment, a car, and new imported furniture every year, all of which the reader found inappropriate.[511]

In July 1981, the journalist Anatoly Rubinov published an article in *Literaturnaya Gazeta* titled "About the People who Live Beyond their Means" (*O liudiakh, zhivuschikh ne po sredstvam*).[512] In the article, Rubinov described with palpably grotesque emotions the lavish lifestyle of the underground dealers. Among other things, he mentioned that those people could afford to buy diamond rings which cost upwards of 35 thousands rubles each (about 200 times the average Soviet monthly salary) and exclaimed how "It is very important for society to finally know who exactly is buying things that *can't be bought on honestly earned money*!" (emphasis mine) ("*Kak vazhno dlia obschestva uznat' nakonets kto pokupaet to, chto na chestnye den'gi ne kupish!*").

This article provoked a huge response among readers. Rubinov received about 600 letters in response to the letter (for comparison, for his other articles written that year he usually received about 10 letters each[513]). People from all over Soviet Union across different social strata expressed indignation over the conspicuous consumption that these service workers engaged in. The most widespread reaction concerned purchasing expensive jewelry. Readers juxtaposed service sector workers to the "good" wealthy Soviet people, mainly the cultural elite, and argued that the latter, even though they had money, just did not need to buy luxuries because of their modesty. For example, one

[511] Rubinov Collection, b. 25, f. 59a, l. 40988.

[512] Anatolii Rubinov, "Brilliantovye Ruki: O Liudiakh, Zhivuschikh ne po Sredstvam," *Literaturnaia Gazeta*, July 1 (1981): 13.

[513] Rubinov Collection.

writer from Turkmenia asked, "For whom do they sell those rings for 35 thousand rubles in our jewelry stores, those furniture sets for nine thousand rubles, those cars for 15 thousand rubles? Maybe for professors? But in order to save money for those goods, professors should not eat and drink for several years. And why would they need jewelry anyway? It means that super expensive things are produced specifically for underground dealers. They simply should not be sold!"[514] Another writer from Ukraine also emphasized the idea that "good" wealthy Soviet citizens simply did not need luxury. "Maybe renowned scholars and writers can afford those goods (and even here I am not so sure), but even if they can, I think their modesty, their sophistication and education (*intelligentnost' i vospitannost')* would not allow them to flaunt their wealth (*vystavliat' napokaz*), they just don't need it. It means that those goods are officially meant to be bought by those who work in stores, restaurants, hotels and bars."[515]

For the readers of *Literaturnaia Gazeta*, the potential wealth of the cultural elite was acceptable because (presumably) professors and writers did not brag about their money. In contrast, service workers' wealth was unacceptable because it was flaunted, something that was incompatible with socialist ideals. Moreover, readers often assigned blame for the emergence of this new elite and their lavish lifestyle to the state itself, claiming that the state created this social group by condoning the production and sale of luxurious goods such as jewelry. The main "sin" of the new elite was that they were making this display of wealth a new norm. Like the protagonist of Vladimir Arro's play "*Smotrite kto prishel*," a reader from Donetsk complained how "millionaires do not hide

[514] Rubinov Collection, b. 25, f. 59a, l. 43040.

[515] Rubinov Collection, b. 25, f. 59b, l. 44972.

anymore, they have taken the offensive and are shaping popular opinion."[516] The growing popularity of trade professions and the appeal that entrepreneurs' luxurious lifestyles cultivated among Soviet youth created a feeling that traditional socialist values were in crisis. Readers noted anxiously that the values espoused by the new elite were becoming widespread, thus undermining the socialist paradigm of modesty, spirituality, and egalitarianism.

Conclusion

Many consumer sector workers became wealthy in the late Soviet Union thanks to high demand for the goods and services that only they could provide. They were less and less criminally prosecuted for their illegal activities because the state depended on them to satisfy growing consumer demand. Because of their ostentatious wealth, these workers' professional paths became more and more attractive for members of the younger generation. At the same time, however, the newly rich's conspicuous consumption provoked deep ethical anxiety among various social strata. Different groups used different arguments to explain why the lavish lifestyles of the new elite were inappropriate. People close to the nomenklatura complained that the new elite's material comfort had not been provided by the state. The cultural intelligentsia thought service sector workers did not deserve their wealth because of their perceived lack of culture. But most ordinary Soviet people were worried and frustrated by how highly visible service workers' wealth was becoming. Previously privileged groups in the Soviet Union never

[516] Rubinov Collection b. 25, f. 59d, l. 42904.

consumed so openly, so for the majority of the population, the luxurious lifestyles pursued by service workers was a sign of a major change in values. This resentment towards material inequality and dramatic displays of wealth became even more relevant and articulated a decade later, after the collapse of the Soviet Union, with the introduction of capitalism and private entrepreneurship. However, as this chapter shows, it might be helpful to see the origins of this discussion in the Soviet period, long before the era of economic reform.

Chapter 6. "This Could Only Have Been Done by a Person of the Capitalist Breed": Retail Price Increases in the Late Soviet Union.

On March 1, 1978, Viktor Nechaev, a worker of a machine building plant in the city of Simferopol' in Soviet Ukraine, killed himself. In his suicide note he wrote: "I love life, I love my family, but I have to take my own life because with these prices I cannot provide for my family. […] I have had enough. Only thieves, legal and illegal, live well in our country, while workers live in misery. Stop raising prices! I hang myself because I do not agree with the domestic policy of the country."[517]

Nechaev killed himself on the day *Pravda* newspaper announced the decision of the State Committee on Prices (*Goskomtsen*) to significantly raise retail prices for gold jewelry, cars, gasoline, imported coffee and chocolate — a list which included no basic necessities. Indeed, it was out of fear of public discontent that the government raised prices only for goods considered luxuries. Moreover, these goods were in short supply and the price increase was supposed to make them more readily available. And yet, people's letters to newspapers and various state bodies, which followed the price increases, stand as proof that, although Nechaev's reaction to the economic measures was radical, his mood was not all that uncommon. The question remains to be asked, then: why did people take the price increases for luxuries so hard?

In this chapter, I study a series of decisions by the Soviet government to raise retail prices from 1977-1983, which never received historical attention. This economic

[517] SBU archive. f. 16. op. 1. d. 1142. l. 99-101.

policy is remarkable because until then retail prices in the Soviet Union were not officially and massively increased for 15 years. Indeed, a ban was set on retail price raises after a 1962 increase provoked popular resentment and led to a massacre in the city of Novocherkassk in the south of Russia, when dozens were killed and wounded in the state suppression of protests[518]. A few years later the stability of retail prices was proclaimed as a cornerstone of the Soviet economy[519]. As opposed to the capitalist system, the retail prices in the Soviet economy were centrally set by the government, and were not supposed to reflect supply and demand balance but only the input of labor and raw materials plus taxes. According to Soviet economic theory, this system would result in a more "honest" price and would thus contribute to the well-being of the whole population[520]. The mechanism implied that in the future as the efficiency of production grew, the goods would become cheaper and cheaper, thus rendering them affordable to a greater number of people. Stability of prices and their eventual lowering was to become the key to the constant growth of the Soviet people's material well-being. Yet, a little more than a decade after the announcement of this policy, retail prices for some sought-after goods were increased several years in a row (1977-1983), by an average of 50% each time. I herein investigate not only the economic rationale behind the decision to raise prices at the end of 1970s, but also the ideological complications associated with it, along with the people's reaction to these measures. I argue that even though the government designed the price increases in such a way as not to affect the broader

[518] Samuel H. Baron, *Bloody Saturday in the Soviet Union: Novocherkassk, 1962* (Stanford University Press, 2001).

[519] March and September 1965 Communist Party Plenums and the 1971Communist Party Congress: Chernyshova, *Soviet Consumer Culture in the Brezhnev Era*, 39-40; Ivanova, "Na poroge 'gosudarstva vseobshchego blagososto ianiia'": 162.

[520] See, for example, a report of the State Committtee of Prices: RGAE. f. 437. op. 5. d. 713.

population, people still perceived them in a very personal way. Despite the fact that not a lot of citizens were planning to buy these particular goods in the first place, the very announcement of price increases meant for them the government's betrayal of its own principles.

The price increases' main goal was to extract excess cash from the economy. The wages had been growing faster than productivity, and with the stability of retail prices the amount of cash did not correspond to the amount of goods. The greatest amount of the excess cash was accumulated by the black marketeers who used the shortages of the state trade to their own profit. By raising state prices on luxury goods in state stores, the government hoped to extract these illegal earnings from the dealers. For the broader population, however, this measure only spotlighted the existence of this wealthy group. The price increases made luxury items even less affordable and contributed to the sense of the growing material inequality in the late Soviet society.

In this chapter, after briefly discussing the history of the Soviet retail price system in the 1920s-1950s, I will focus on the 1960s-1970s theory of the stability of prices, on the one hand, and economic reality of this period, on the other. I will then explore the discussion, implementation and results of the retail price increases on luxuries in the late 1970s and early 1980s. Finally, I will examine people's reaction to the price raises and will reflect on what it might tell us about the late Soviet society.

Short History of the Soviet Retail Prices in 1920s – 1960s

The common perception of Soviet retail prices is that they were set by the state, remained low and did not reflect supply and demand balance. This notion was true to an

extent, but only for the late Soviet Union. In the earlier periods, for example in the 1920s during NEP, state stores constituted only a small part of the retail trade, and people's demand was mainly satisfied through small private shops and markets with free prices. [521] In this context the idea of state uniform prices was not relevant. The following period from 1928 to1935 was a time of rationing and explicit differentiation in state prices. On the one hand, there were state stores with low prices in which goods were distributed for rations. The system of rationing was hierarchical and those who contributed more to the industrialization had the right to a bigger share of goods. On the other hand, there were state commercial stores with high prices for wealthy people like scientists, artists, and military personnel.[522] After 1935, when rationing was abolished, a uniform state retail trade began to develop, and it is from this period that the idea of uniform prices emerged, set between high commercial and low ration prices. [523] However this system still differed in notable ways from that of fixed prices that would be in place during late socialism. First, there were still eight different "price zones" so prices were not uniform across the country. Second, the majority of people still used markets with free prices for their shopping: while small private shops were closed after the end of NEP, the collective farm markets remained perfectly legal until the very end of the Soviet state.[524] Moreover, this system lasted only a short time due to the outbreak of World War Two, which led to the re-introduction of rationing (1941-1947). After the war, the development of the centralized state retail trade continued, and a currency reform in 1947 reduced the

[521] Marjorie L. Hilton, *Selling to the Masses: Retailing in Russia, 1880-1930* (University of Pittsburgh Press, 2012): 195-231; Ball, *Russia's Last Capitalists: The Nepmen, 1921-1929*.

[522] Osokina, *Our Daily Bread.*

[523] Hessler, *A Social History of Soviet Trade*, 201, 221.

[524] *Bolshaya Sovetskaya Entsiklopedia* s. v. "Vnutrenniaia torgovlia" vol.5, (Moscow, 1971): 166.

number of price zones from 8 to 3. [525] Although a large part of shopping still happened at the collective farm markets and from individual private sellers, the situation was changing rapidly, as the amount of money that people spent in the state retail system grew from 24% in 1945 to 83% in 1958.[526]

In the late 1940s Joseph Stalin's government came up with the idea of lowering state retail prices every year as a populist step. Kristy Ironside argues that there was an economic rationale behind this decision, namely that prices were set too high after the abolishment of rationing and some of the goods stored up in stockpiles because the majority of the population could not afford them. According to official rhetoric though, the government's decision to lower prices was a proof that it put the well-being of the people above all[527].

In the middle of the 1950s, when Nikita Khrushchev came to power, he stopped the annual retail price cuts. Among other things, this action fell within the framework of his support of agriculture, and his attempts to stimulate peasants' production including making procurement prices for food more profitable for them. Indeed, in 1962 Khrushchev's government increased the procurement prices for meat and milk to stimulate collective farms, which in turn led to the increase in retail prices for meat and milk. This increase was a shock for people who were accustomed to Stalin's price cuts

[525] Ironside, Kristy. *A Full-Value Ruble: The Promise of Prosperity in the Postwar Soviet Union*. Harvard University Press, 2021. p. 22.

[526] Ironside, *A Full-Value Ruble*, 93; 99-100. This can be explained by the rapid restoration of the state retail trade system after the war and specifically by 1947 currency reform.

[527] Ironside, *A Full-Value Ruble*, 29-41.

and it precipitated the rioting and its bloody suppression in Novocherkassk mentioned above.[528]

In the early 1960s better clothing, footwear, and consumer durables were still prohibitively expensive, according to the memoirs of the foreigners who visited USSR at that time.[529]

Theory of Uniform Prices in 1960s – 1970s

While in the aftermath of the Novocherkassk riots, the government was convinced not to raise retail prices further, it did not lower them much either, as it had done during Stalin's tenure. Bespeaking a general change in policy, after 1965 the retail prices became the object of careful scientific calculations: they had to reflect the input of raw materials, the cost of labor, the cost of distribution and taxes, and they could not be raised or lowered without reason.[530] Once the prices were calculated they would remain stable for a long period of time. Moreover, it was believed that the efficiency of production would grow due to the development of new materials and technologies, which would have led to justified price lowering in the future. [531] Supporting this position in his speech on the 24th Party Congress in 1971, Leonid Brezhnev stated: "The big and complex goal of

[528] Baron, *Bloody Saturday in the Soviet Union: Novocherkassk, 1962*; Vladimir Kozlov, *Massovye Besporiadki v SSSR Pri Khrushcheve i Brezhneve: 1953--Nachalo 1980-Kh Gg*, 3rd ed., Istoriia Stalinizma (Moskva: ROSSPĖN, 2010): 411-497.

[529] Reid, "Cold War in the Kitchen," 237.

[530] Besides the cost of labor, raw materials, and distribution, the retail prices included two taxes: a smaller one intended as a profit of the enterprise and a bigger one, called turnover tax, intended for the "needs of society". The turnover tax was different depending on the type of good: for example, the tax for alcohol was high while the tax for books, children's clothing, school supplies etc. was low or non-existent. See more in Marshall Irwin Goldman, *Soviet marketing: distribution in a controlled economy* (Free Press of Glencoe, 1963): 83-105.

[531] The report of *NII Goskomtsen*: RGANI. f. 5. op. 68. d. 1144.

saturation of the market with consumer goods should be attained with the stability of the retail prices. And later, as the corresponding economic circumstances are created, the prices for some goods will be lowered".[532]

The cornerstone of the Soviet price formation theory was that retail prices were not defined by the market. As opposed to in capitalist countries, the prices in the Soviet Union were "real" and "scientifically calculated" (based on input) and not "artificially high" or "speculative" as under capitalism, where, as it was said, the price reflected the greed of sellers, who artificially inflated demand with advertisement in order to raise prices and enrich themselves [533].

The degree to which socialist price setting was different from capitalist approaches is well illustrated by a report of an employee of the State Committee on Prices (*Goskomtsen)* who traveled to Finland in 1974 and wrote about his trip to the Council of Ministers. Although he knew that capitalist price formation was distinct from the Soviet one, he was still surprised to see that the prices in Finland were fixed only for essentials such as food and basic clothes, while all other prices not only were not fixed by the state but were set by each store independently. Prices easily could be raised or lowered at any time, depending on demand and even two stores of the same chain might set different prices if they considered it necessary, he noted[534].

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[532] *XXIV Sjezd Kommunisticheskoj Partii Sovetskogo Soiuza. Stenograficheskii Otchiot*. Moscow, 1971. p.77.

[533] See for example a definition of the price in the Great Soviet Encyclopedia: *Bolshaya Sovetskaya Entsiklopedia* s. v. "Tsena" by Yury Yakovets, the director of the Research Institute of Goskomtsen, vol.28 (Moscow, 1978): 486. According to Karl Marx, advertisement could not change the "real value" of the goods and thus it could affect price only by manipulation. See Goldman, *Soviet marketing*, 102. More on Soviet theory of the value of goods: Sergei A. Oushakine, "'Against the Cult of Things': On Soviet Productivism, Storage Economy, and Commodities with No Destination," *The Russian Review* 73, no. 2 (2014): 198–236.

[534] GARF. f. 5446. op. 107. d. 304. l. 20-30.

In contrast, Soviet retail prices constituted a part of the yearly economic plan and could not be easily changed.[535] Besides being stable from year to year, they also had to be uniform across the country.[536] Furthermore, the prices for imported goods had to be set at the same level as the prices for their Soviet analogues even if they were purchased abroad at higher prices[537]. When the production cost for an essential good, such as meat, was considered to be too high for the population, the government subsidized it so that the retail price would remain low, but otherwise the retail prices were supposed to reflect the production costs[538]. There was a price cut in 1965, and then a few of them in 1971-1974, mainly for electrical durables, but as opposed to Stalin's price lowering, this time there was a justification provided: it was explained that those items (cameras, small-screen TV sets and others) became cheaper to produce, which led to price cuts[539].

In general, from 1965, the material well-being of the population was to be achieved not by a random populist price lowering, as under Stalin, but mainly by the increase of wages.[540] In the framework of 1965 so-called Kosygin reforms when profitability was proclaimed to be key indicator of enterprise success, material stimulation of the workers became important and citizens' wages indeed began to

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[535] For a detailed account of how the actual prices were set see: Morris Bornstein, "The Administration of the Soviet Price System," *Soviet Studies* 30, no. 4 (1978): 466–90.

[536] There still existed three price zones in the Soviet Union but they only defined prices for some food depending on specific geographical conditions of production. See the article "Differentiation of prices" in *the Great Soviet Encyclopedia: Bolshaya Sovetskaya Entsiklopedia* s. v. "Differentsiatsia tsen" by Yury Yakovets, the director of the Research Institute of Goskomtsen, vol.8. (Moscow, 1972): 342. Yakovets emphasized that it was crucial to have uniform prices all over the country.

[537] RGAE, f. 413, op.32, d. 482, l.142-143.

[538] For more on state subsidies see: Byung-Yeon Kim, "Causes of Repressed Inflation in the Soviet Consumer Market, 1965–1989: Retail Price Subsidies, the Siphoning Effect, and the Budget Deficit," *The Economic History Review* 55, no. 1 (2002): 105–27.

[539] Chernyshova, *Soviet Consumer Culture in the Brezhnev Era*, 39-40, 188.

[540] More on Brezhnev's policies to improve the well-being of the population see: Chernyshova, *Soviet Consumer Culture in the Brezhnev Era*, 17-42.

grow.[541] The official rhetoric explained that while salaries went up and the prices remained stable, the purchasing power of the population would increase.

The only part of the Soviet retail price system, which officially remained unplanned, and had free unregulated prices was collective farm markets. On these markets, which existed both in the countryside and in the cities, individual agricultural producers (mainly peasants but sometimes also blue and white collar workers) could have sold the produce from their private plots.[542] While these prices differed from region to region depending on specific economic situation, they always exceeded the state retail prices.[543] Even though there was some discussion on the necessity of the collective farm market price regulation, such a measure was never introduced. The theory behind it was that for now markets helped satisfy the demand, while in the future abundance and low prices of the produce in the state retail system would naturally lower the prices on the markets. [544]

There existed also a black market, where consumer goods stolen from the state retail system as well as those smuggled from abroad or illegally produced by private manufacturers were sold by individuals for free prices. In the official discourse, these prices were usually called "speculative" and based on the seller's greed. Operating in this manner was considered a serious crime: the sale of goods for prices higher than the state

[541] More on Kosygin reforms: Hanson, *The Rise and Fall of the Soviet Economy*, 101-107; *Upuschennyii shans ili polsednii klapan? K 50-letiiu kosyginskikh reform 1965 goda*. Eds. R.M. Nureev, Iu.V. Latov. Moscow, 2019.

[542] *Bolshaiia Sovetskaiia Entsiklopediia* s.v. "Priusadevnyii Uchastok," vol.20. (Moscow, 1975): 599.

[543] See reports of Goskomtsen at: RGANI. f. 5 op. 68 d. 1144. l. 27; RGAE. f. 437 op. 5 d. 1063. l. 33.

[544] See for example: GARF. f. 9527 op. 1 d. 574; TsAGM. f. 346. op. 1 d. 3093.

regulated ones was criminally prosecuted as speculation (profiteering) and punishable by imprisonment for up to 7 years, depending on the scale.[545]

Economic and Ideological Implications of Stable Price Policies

With the growing wages, growing production and imports of consumer goods and the stable retail prices, by the end of 1970s the majority of the Soviet citizens mostly satisfied its demand for basic necessities and was actively purchasing all kind of durables. While in the late 1950s the prices for durables were prohibitive for most Soviet citizens, by 1980 85% of the population were able to buy TV sets and refrigerators; 70% owned washing machines; and 25% owned tape recorders. The number of private cars sold to the population each year increased by a factor of 20 from 1960 to 1980.[546] Furthermore, the demand for other goods, which were previously considered luxuries, such as rugs, furs or crystalware, began to grow[547]. The imports of consumer goods were also rapidly expanding especially from the beginning of the 1970s thanks to huge Soviet oil revenues. [548]

Yet people often could not satisfy their demand, even though they had adequate money, because most popular goods were in short supply, which created an excess cash. The excess cash, in turn, led to hidden inflation. The data of the Central Statistical Administration (TsSU), the main statistical organization of the Soviet Union, showed that the state retail prices under Brezhnev until the late 1970s remained stable. According to

[545] Criminal Code of RSFSR, article 154.

[546] *Narodnoe khoziaistvo SSSR v 1985 godu* (Moscow, 1986): 443-446.

[547] Chernyshova, *Soviet Consumer Culture in the Brezhnev Era*, 80-84; 112.

[548] Slavkina, *Triumf i Tragediia: Razvitie Neftegazovogo Kompleksa SSSR v 1960-1980-e Gody.*

the TsSU index, which was published annually and compared the average retail prices for various consumer goods from year to year, in 1975 prices had hardly changed compared to 1970 – only silk fabric and leather shoes had become a bit more expensive.[549] However in reality, prices did go up, but in a hidden way. The level of real inflation, hidden by the TsSU reports, can be estimated by comparison of the state retail prices with the prices on collective farm markets. While in the 1960s the collective farm market prices were only 35% higher than those in the state stores, by the end of the 1970s they became on average almost 100% higher than state retail prices.[550] Another indicator of hidden inflation are the black market prices. According to the reports of the State Bank of the USSR, in 1970 the black market prices were two times higher than the state prices, while in 1975, they were already 3 times higher[551].

The excess of cash contributed to the expansion of the black market and illegal income redistribution (see more in Chapter 5). Reflecting on how to counteract the dilemma of the hidden inflation and its corrupting consequences, Soviet economists suggested a few solutions. First, the unjustified wages growth had to be stopped. The growth of wages should have been strictly dependent on the productivity growth[552]. Second, the production of the most sought-after consumer goods had to be increased and their quality had to be improved. Third, the variety of paid services had to be expanded.

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[549] RGANI. f. 5. op. 69. d. 139. l. 14.

[550] See reports of Goskomtsen at: RGANI. f. 5 op. 68 d. 1144. l. 27; RGAE. f. 437 op. 5 d. 1063. l. 33.

[551] "On Money Circulation in the USSR" (1970 analytical report of the State Bank of the USSR), *Po stranitsam arkhivnykh fondov Tsentral'nogo Banka Rossiiskoi Federatsii,* no. 7 *Denezhnoe obrashchenie v SSSR v dokumentakh (1965–1975 gody)*, (Moscow, 2009): 57; "1975 Report of the State Bank of the USSR," *Po stranitsam arkhivnykh fondov Tsentral'nogo Banka Rossiiskoi Federatsii,* no. 8 *"Denezhnoe obrashchenie v SSSR v 1976–1985 godakh (vedomstvennye dokumenty)* (Moscow, 2009): 23.

[552] "On the state of money circulation in the USSR" (1970 internal report), *Po stranitsam arkhivnykh fondov Tsentral'nogo Banka Rossiiskoi Federatsii,* no. 7 *Denezhnoe obrashchenie v SSSR v dokumentakh (1965–1975 gody)*, (Moscow, 2009): 62-63.

As Mefodii Sveshnikov, the head of the State Bank of the USSR, explained in his 1974 report to the Council of Ministers, one potential way to increase the spending was to expand the cooperative housing construction. As opposed to state-owned apartments, which citizens could get for free, in cooperative housing, they contributed their personal funds and then received those apartments in "cooperative" property.[553] In 1973, the share of the cooperative housing in all of the housing construction in the Soviet Union was only 8.5%. Increasing this share, Sveshnikov explained, would allow to attract part of the excess cash from the population[554].

Finally, one more measure to extract the excess cash was to raise the retail prices. As this was a sensitive subject, the State Bank economists suggested, those should be raised only for "non-essential items" meant for the wealthiest groups of citizens. "Taking into account the long waiting lists for cars, as well as the fact that people in those waiting lists are well-off (*vysokooplachivaemye*), we can raise retail prices for cars for about 20%," – a 1970 report suggested. "This measures will not hurt the broader toiling masses (*shirokie trudisaschiesie massy*), but will allow to extract a big share of earnings and normalize the situation on the car market"[555]. Indeed, by that time the demand on cars strongly exceeded the supply and the waiting to purchase one took several years[556]. Thus, an eventual retail price increase was discussed only regarding prestigious items. For essential items, such as food, prices were continued to be heavily subsidized. While in

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[553] Barry, "Cities and Towns," 10–11; Harris, *Communism on Tomorrow Street*, 154-187.

[554] "On the state of money circulation in the USSR" (1974 analytical report for the Council of Ministers), *Po stranitsam arkhivnykh fondov Tsentral'nogo Banka Rossiiskoi Federatsii,* no. 7 *Denezhnoe obrashchenie v SSSR v dokumentakh (1965–1975 gody)*, (Moscow, 2009): 110.

[555] "On the state of money circulation in the USSR" (1970 internal report), *Po stranitsam arkhivnykh fondov Tsentral'nogo Banka Rossiiskoi Federatsii,* no. 7 *Denezhnoe obrashchenie v SSSR v dokumentakh (1965–1975 gody)*, (Moscow, 2009): 62-63.

[556] Gronow and Zhuravlev, "Soviet Luxuries from Champagne to Private Cars," 137.

1965, the state subsidized 14 various food items, by 1980 there were already 25 of them. For some, the state subsidy reached 80% of the price[557].

The dilemma of illegal income redistribution and the necessity of retail price increase were on the minds of not only the State Bank economists, but also of those from the *Gosplan (*State Planning Committee). For example, Alekseii Krasnopivtsev, an employee of the *Gosplan*, wrote in his diary in June 1979 that, during a meeting, some of his colleagues suggested that the retail prices should be raised to stop redistribution – or basically theft, as he notes in parenthesis – which led to illegal enrichment of a certain group of people at the expense of the broader masses.[558]

Most economists agreed that a potential price increase for prestigious items could have allowed to extract excess cash from the wealthiest, most importantly those who grew rich illegally. It was also suggested that this measure would not have hurt the poorest groups, as these groups did not mean to buy those goods. Finally, this measure would have lowered demand for those goods, which meant there would be enough of them in the state retail trade, which, in turn, would have stopped the flow of illegal earnings of the black marketeers. However, despite economic rationality, there were also ideological ambiguities about potential retail price increase. One the one hand, it could have been interpreted as a morally positive measure. Price increase for luxuries was seen by some as a means to decrease the dangerous level of consumerism which appeared in the country as a result of the growing wages, and which could have been interpreted as a

[557] Hanson, *The Rise and Fall of the Soviet Economy*, 151-152

[557] Ivanova, "Na poroge 'gosudarstva vseobshchego blagosostoianiia'," 162-164.

[558] Aleksei Krasnopivtsev. *Zhazhda spravedlivosti*. Moscow, 2013. Vol.1. p.126

direct contradiction of socialist ideology.[559] Supporting such a position, the sociologist Vadim Rogovin argued in his 1978 article in *Voprosy Filosofii,* the main philosophical journal in the country, that price increase was a good measure: "[Price increases for luxuries] efficiently hit on the tendencies of money-grabbing (*stiazhatel'stvo*) and hoarding (*material'noe obrastanie*), it is aimed against a disease of consumerist lifestyle, against unhealthy excitement around prestigious consumption."[560]

On the other hand, however, the price increase also represented a dubious compromise, thrusting into the spotlight the constant tension between what the Soviet economy should look like according to Marxist laws, and how it functioned in reality. According to Marxism, as mentioned above, prices would constantly be lowered because of the growth in labor productivity and a decrease in the production costs. Since there was no agent interested in increasing profits, life should have naturally become cheaper. The retail price increases would have thus meant that something was wrong with the Soviet system. In 1974 Viktor Golikov, Leonid Brezhnev's assistant for domestic policy, wrote a long letter to Brezhnev about prices. He stated that as far he knew, the Council of Ministers, *Gosplan* and the Ministry of Finance were discussing a major retail price increase. Golikov argued that this measure was unacceptable and through this measure the aforementioned agencies just wanted to hide their own poor management, thriftlessness, and bad production planning:

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[559] More on the struggle against consumerism under Brezhnev, see: Chernyshova, *Soviet Consumer Culture in the Brezhnev Era*, 43-79; Olga Gurova, "Ideology of Consumption in Soviet Union: From Asceticism to the Legitimating of Consumer Goods," *Anthropology of East Europe Review* 24, no. 2 (2006): 91–98. On the history of the notion of consumerism in the Russian context in general, see: Vihavainen, *The Inner Adversary*.

[560] Vadim Rogovin, "Sotsial'naia Politika I Eio Vlianie Na Obshchestvennye Nravy," *Voprosy Filosofii*, no. 8 (1978): 8.

"Price raises for any goods do not give anything to the national economy; they can not heal any disease, free us from economic difficulties. […] We do not have entrepreneurs and exploited masses. All actors in our country live at the expense of the budget. So all these manipulations are profitable only to Gosplan and Minfin [Ministry of Finance], or rather to its bosses, who are trying to cover their poor management. […] If the prices rise and money loses value, this is not socialism, this is pure capitalism." [561]

However, despite Golikov's warnings and ideological ambiguity associated with this measure, Leonid Brezhnev decided to agree with the economists and approved the raising of the retail prices on some goods at the end of the 1970s.

Retail Price Insreases in the late 1970s

Before the series of price increases of the end of the 1970s, prices on some luxurious goods – including certain type of fish (*delikatesnaya*), furs, jewelry, and rugs – were increased once, in 1973, but with no official announcement and with no huge scale[562]. In order to mitigate this measure, at the same time, prices for other goods, such as synthetic fabrics, TV sets and refrigerators, as mentioned above, were lowered. The economic explanation for the price lowering was that when the prices for synthetic fabrics, for example, were set in the 1960s, they were recently invented and were expensive to produce, but by the 1970s they were much cheaper to produce and thus it was reasonable to sell them at cheaper prices.[563] The same logic applied to TVs and

[561] V. Golikov, "Zapiska V. Golikova L. Brezhnevu, 10 Dekabria 1974 Goda," in *General'nyi Sekretar' L. I. Brezhnev, 1964–1982*, ed. Kudriashov S. (Moscow, 2006): 174.

[562] RGANI. f. 5. op. 69. d. 139. l. 3-17.

[563] RGANI. f. 5. op. 69. d. 139. l. 12.

refrigerators, that were new in the 1960s and eventually saw their prices go down[564]. The economists explained that as soon as the sum of the price increase was much less than the sum of the decrease (528 mln rub vs. 1.4 bln rub), consumers would not suffer because in total they would be in profit. This concept of the total balance of prices (an increase in prices for some goods "compensated" by a decrease in prices for others) was an important part of the Soviet price policies. An employee of the financial department of the Ukrainian Central Committee in his report of 1978 quoted "The Capital" of Karl Marx to support this theory.[565] However, consumers claimed that goods for which prices were lowered were usually those that were in low demand, and so there was no "profit" for them because they did not want these goods anyway[566].

In 1976, when it became clear that the Ninth Five-Year Plan's (1971-1975) was not as successive as the previous ones, the Council of Ministers began to discuss various economic initiatives. For example, *Gosplan* submitted a proposal for steps for "Improve Planning and the Stimulation of Economic Activity". The main problem of this proposal, according to the State Bank was that *Gosplan* ignored the oversupply of circulating cash in the Soviet economy making all indicators measured in money, such as productivity and profit, meaningless[567]. It became therefore clear that it was time to take active measures regarding the purchasing power of the ruble.

On November 4, 1976 the Central Committee of the Communist Party and the Council of Ministers of the USSR issued a classified decree "On Balancing Income and

[564] RGANI. f. 5 op. 68 d. 1144. l. 29.

[565] TsDAHO. f. 1. op. 25. d. 1741. l. 30.

[566] See letters to *Goskomtsen*: RGAE. F. 437. op. 5. d. 713. l.82.

[567] Feygin, "Reforming the Cold War State," 345.

Expense of the Population".[568] The decree acknowledged the problem of shortages and stated that the main way to satisfy the demand was to boost production of the goods in short supply. Nonetheless, for the time being the prices for some goods and services, that is, the "non-essential goods" (*ne pervoi neobkhodimosti*) in high demand, had to be increased. These goods included rugs, silk, crystalware, and books as well as tailor services, taxi, plane and ship tickets.[569] There was also a price lowering planned together with the increase but this time the total sum of increases (1.5 bln rubles) exceeded the sum of price cuts (600 mln rubles) more than twice.

Although the goods were never called "luxuries" in official documents, in a later report to the Council of Ministers on citizens' reaction to the price increase, *Goskomtsen* called them "so-called luxury items" (*tak nazyvaemye predmety roskoshi*), presumably referring to how they were called in people's letters (see more on people's letters below).[570] There was also a social measure provided by the decree which mitigated the effect of the measure: children should not be hurt by the increases, and thus the prices for tailor services for children, as well as for children's books, were not to be raised. In addition, political literature was not affected by the increase.

The increase was scheduled for January 1977, and it was planned to be announced to the population through newspapers. The intensity of internal correspondence and that of preparatory work regarding the measure show that the price increase was considered to

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[568] Postanovlenie TsK KPSS I Soveta Ministrov SSSR N920-317 "O meropriiatiiakh po sbalansirovaniu dokhodov i raskhodov naseleniia" ot 4 noiabria 1976 goda. *Arkhiv Prezidenta (declassified on my request).* The very idea of calculating the "balance" between income and expenses comes from economic discussions of the 1930s: see Ironside, *A Full-Value Ruble,* 3.

[569] On the special status of books in short supply as luxuries, see Stephen Lovell, *The Russian Reading Revolution: Print Culture in the Soviet and Post-Soviet Eras* (Palgrave Macmillan UK, 2000): 65-66.

[570] GARF. f. 5446 op. 135 d. 335.

be a very sensitive issue. In December 1976, the Central Committee, together with *Goskomtsen*, compiled an explanatory document about the measure and sent it out to the regional party branches. Concerned about the impact of the changes, some of the republican and regional party secretaries wrote to the Central Committee, asking if they could share this information with some of the lower level employees (i.e. the party secretaries of cities and big enterprises), so that more people would be ready to explain the measure to the population when the increase was announced. The question was discussed in a meeting of the Secretariat of the Central Committee on December 28, 1976, during which Mikhail Suslov, a Politburo member and unofficial chief ideologue of the Party, suggested that it was indeed reasonable to share this information as wide as possible within the Party in order to "avoid misunderstandings" (*chtoby izbezhat' krivotolkov*). However, Andrey Kirillenko, another Politburo member, reminded that there were some "peculiarities" (*niuansy*) in this question, namely the price increases significantly exceeded the decreases. It made the task to find the right way to explain this measure to the working people (*trudiaschiesia massy*) not an easy one[571].

The text of the announcement for newspapers was sent to the Propaganda department of the Central Committee on December 20, 1976 under the "top secret" classification level.[572] It was decided however not to publish a long explanation but rather explain the measure in the form of an interview with the head of *Goskomtsen*, Nikolay Glushkov. On January 5, 1977, *Pravda*, as well as other federal and local newspapers, announced the price increase. Under the title, "In the State Committee of Prices of the Council of Ministers of the USSR", a short note on page 2 first listed the goods on which

[571] RGANI. F. 4. op. 44. d. 18. Ll.130-131.

[572] RGANI. f. 5. op. 69. d. 139. Ll.18-25.

the prices were lowered, along with the percentage of decrease (refrigerators 12%, vacuum cleaners 15%, pens 5% etc.). Then it listed goods for which prices were increased (rugs, silk items, crystalware, books, tailor service, taxi, plane and ship tickets), but, significantly, without mentioning the percentage of the increase. [573]

On the same day, Nikolay Glushkov had appeared on television to explain the measure; and an interview with him was published in Pravda together with the announcement.[574] Glushkov explained that in the USSR the main way to improve the well-being of the population was the constant growth of wages along with the stability of retail prices. He emphasized that the prices for the majority of goods had remained stable for many years and would remain stable in the future. The goal of the increase, according to Glushkov, was to stimulate a growth in production. The quality of goods had increased in recent years, he explained, and the retail prices no longer corresponded to production costs. It was thus important to raise prices in order to avoid lossmaking and to create a stimulus for the producers to improve further the quality of goods. While Glushkov also mentioned another goal of the price increase, namely the "normalization of trade", which apparently meant the overcoming of shortages and black market, he did not provide any further explanation for the term. Glushkov's main conclusion was that the price increase on some goods did not mean a change in the policy of retail price stability in general; for the majority of goods the prices would remain the same, he assured.

After the price increase the Ministry of Trade was closely monitoring the sales and soon reported to the Central Committee that goods on which prices were increased

[573] *Pravda*, January 5, (1977): 2.

[574] RGANI. f. 5. op. 69. d. 139. l. 29.

such as rugs and crystalware still remained in very high demand.[575] Thus in October 1977 *Gosplan* suggested yet another "balancing of the earnings and spending of the population", which meant another increase in retail prices. On November 24, 1977 Politburo discussed the *Gosplan's* suggestion to further raise prices, but not without consternation. Indeed, Brezhnev wrote in his diary on that day that the members of Politburo, Chernenko, Kirilenko and Gromyko, all wanted to talk to him personally after the session because they were "really worried" (*perezhivali*) about the decision.[576] Still, despite any reservations they may have had, in January 1978, Politburo confirmed the price increase.[577]

This time the list included more luxuries but also some of the food items and alcohol. On March 1, 1978 the prices were raised for jewelry, cars, car repair services and spare parts, gasoline, chocolate, coffee, and imported alcoholic drinks (from 30 to 60% for various items)[578]. The price increase for coffee and chocolate was mainly explained by a huge price increase for those goods on the world market because of bad harvest (there were no coffee or cacao trees grown in the USSR; all coffee and cacao beans were imported). A social measure again accompanied the increase: those getting married for the first time were to get monetary compensation for their golden wedding rings. Furthermore, the price of gold for dentistry use was not raised. There was also compensation for gasoline, repair and spare parts for cars for those disabled people who received their cars for free or with a discount from social services. The total amount of

[575] RGANI. f. 5. op. 69. d. 139. l. 33-35.

[576] Leonid Brezhnev. *Rabochie i dnevnikovye zapisi*. Moscow, 2016. Vol.1. P.853. On the same Politburo session there was also a discussion of the grain supplies from the West, so it is unclear whether Politburo members were worried about grain or about prices or most likely both.

[577] Brezhnev, *Rabochie I Dnevnikovsy Zapisi*, 884, 933.

[578] *Pravda*, March 1, (1978): 3.

the price increase of 1978 was 3 bln rubles, almost twice the amount of the previous year.[579]

On the day of the price increase on March 1, 1978, Brezhnev personally called to all of the republics' heads to ask how the population was reacting to the decision. They reported everything was fine.[580] However, apparently, two radical price raises in consecutive years created anxiety among the population. A certain Antonina Z. from Moscow wrote in her diary on March 19, 1978 that there were rumors that prices for food would be soon raised as well[581]. On March 22, 1978 various newspapers, such as *Izvestia*, even had to publish an official denial of the rumors. A small piece reported that recently the Ministry of Trade had been receiving a lot of letters from citizens asking if the retail prices for food would be raised. The newspaper assured there were no grounds for such worries[582].

However, in July 1979 there was yet another price increase, this would be the first one without any price lowering to accompany it. The prices were again raised for jewelry (50%), fur (50% except fur coats for children), rugs (50%), cars (18%), restaurants during evening hours (25-45%), and furniture (10-30%).[583] The announced percentage of the increase, as in the previous cases, was average, i.e. prices on some particular items could have remained the same while others could have increased on a greater percentage than announced. For example, a bedroom furniture set "Rondo" (imported from

[579] RGAE. f. 437. op. 5. d. 700. l. 6.

[580] Brezhnev, *Rabochie i dnevnikovye zapisi*, 897; Leonid Brezhnev. *Rabochie i dnevnikovye zapisi*, vol.2 (Moscow, 2016): 868.

[581] The diary of Antonina Z., born in 1902. Accessed on April 8, 2022: https://prozhito.org/note/604692

[582] *Izvestia*, March 22 (1978): 1.

[583] *Pravda*, July 1 (1979): 3.

Czechoslovakia) cost 780 rubles before the 1979 increase and 1270 after the increase (60% increase); a car "Moskvich-21406" cost 6600 rubes before the increase and 7100 after (8% increase); a ring with a diamond cost 6600 rubles before the increase and 13,000 after (97% increase)[584]. (For comparison: an average wage in the Soviet Union in 1980 was 168 rubles per month[585]). In an interview, published again together with the announcement, the *Goskomtsen* head Nikolay Glushkov explicitly called this measure "forced but necessary". He also mentioned that demand for those goods outran the production, thus acknowledging for the first time that Soviet prices did take demand into account. However he claimed again that stability of prices for essential goods would be kept.

The prices for luxury items were soon raised two more times. In September 1981 for jewelry, rugs, furniture, citrus fruits, crystalware, chinaware, fur, wool shawls and goods made of real leather, gasoline, alcoholic drinks and tobacco by 25-30%.[586] In February 1983 the prices were raised for the last time. This time the list included not luxuries but rather everyday items such as building materials, alcohol, household gas, and postal services. This last increase as opposed to the previous ones was not announced in the press. In 1982, when Yuri Andropov became the General Secretary of the Communist Party, he decided to stop the series of retail price increases, and initiate, instead, a series of price lowering, including on luxury items (the last increase was planned before the start of his term and was carried out when he was ill without him knowing, as recalled by Anatoly Cherniaev, a Central Committee functionary and an advisor of the future General

[584] GARF. f. 5446 op. 142 d. 297; op. 136 d. 282; TsGAM. f. 346 op. 1 d. 3820.

[585] *Narodnoe khoziaistvo v SSSR v 1985 godu*, (Moscow, 1986): 397.

[586] *Pravda*, September 15 (1981): 3.

Secretary of the Party Mikhail Gorbachev). [587] In April, September and December of 1983, when Andropov was back in his office, prices were indeed massively lowered for a lot of goods, among other things, furs, wool shawls, color TVs, etc. by a total of 2.5 bln. rubles[588]. The issue of the state retail prices remained sensitive until the very end of the Soviet power. During *Perestroika* economic reforms in the late 1980s, Mikhail Gorbachev was for a long time indecisive about the retail price increases; he argued it was important not to raise prices in order not to loose the trust of the population.[589] Only in January of 1991, less than a year before the fall of the Soviet Union, Valentin Pavlov, Gorbachev's Minister of Finance, introduced a monetary reform which freed 40% of state-fixed prices.[590]

The 1977-1983 price increases led to a situation in which despite a lot of theorizing surrounding price formation, the question of how exactly price was formed under developed socialism, became unclear. The entries from the diary of Aleksei Krasnopivtsev, who worked in the prices department of *Gosplan* from the 1960s to the 1980s, show this loss of clarity. In 1965, when he had just started his job, there was a "rise of scientific research of planned price formation," as he wrote in his diary; yet in 1977, the research of price formation was "in the state of conceptual confusion" (*v stadii ideiinogo razbroda*) [591]. Likewise, in 1982, an expert of the Council of Ministers of the

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[587] Anatoly Cherniaev. *Somvestnyii Iskhod: Dnevnik dvukh epoch, 1972-1991*, (Moscow, 2008). (entry of March 13, 1983)

[588] *Izvestia*, December 1 (1983): 2; GARF. f. 5446. op. 142. d. 300. l. 4; RGANI. f. 5 op. 89 d. 342 l. 62.

[589] Chernyaev, Anatolii, Vadim Medvedev, and G. Shakhnazov. *V Politburo TsK KPSS. Po zapisiam Anatolia Chernyaeva, Vadima Medvedeva, Georgia Shakhnazarova (1985–1991),* (Moscow, 2006): 3.

[590] Hanson, *The Rise and Fall of the Soviet Economy*, 232-223

[591] Krasnopivtsev, *Zhazhda spravedlivosti*, 83.

USSR reported that the research institute of *Goskomtsen* (*NII Goskomtsen*) had ceased to serve its function. Besides the fact that the conclusions of their reports were always trivial and that they repeated the same arguments in different reports over and over, the main accusation was that for five years they studied the "objective laws" (*zakonomernosti*) of the formation and dynamics of prices in a developed socialist society, but did not come up with a coherent conception.[592] In 1983, *Gosplan*, after having studied the practice of price formation in other socialist states, reported to the Council of Ministers that "we should put the Academy of Sciences in charge of working on theoretical questions of the planned price formation (*planovogo tsenoobrazovania*) in a society of developed socialism", as if these questions had never been worked on before.[593]

Economic Results of the Price Increases

The 1977-1983 price increases produced mixed results. An important drawback of the measure was the lack of differentiation. If the demand for a car or a rug was more or less equal across the country, other things had various demand depending on the region, which the centralized approach failed to acknowledge. For example, after the price increase for airfare in 1977, the price for the most popular flight in Lithuania from Vilnius (the capital) to Palanga (seaside resort) grew twofold. But as a result, as the Lithuanian Council of Ministers reported, the number of people buying tickets decreased threefold, just because the demand for this good was not high enough and for people who usually bought these tickets the increase was significant. Moreover, the distance between

[592] GARF. f. 5446. op. 141. d. 320. l. 1-10.

[593] GARF. f. 5446. op. 142. d. 296. l. 11.

the two places was small (330 km) and the plane could easily be replaced by a train or a bus. The Lithuanian Council of Ministers suggested making the prices for this particular flight a bit lower to increase the demand, but the *Goskomtsen* replied negatively, noting that neither of the republics should have had any advantages[594]. In another similar case, the Georgian Council of Ministers, complained that after the price increase for citrus fruits in all of the Soviet Union in 1981, people just stopped buying mandarins in the Georgian state stores. Unlike in other Soviet republics, a lot of people in Georgia produced mandarins on their private plots and sold them rather cheaply in the markets during the summer. As a result, consumers just did not buy mandarins from the state stores anymore, prompting the Georgian Council of Ministers to ask for lower state prices for their region. *Goskomtsen* again replied that it was not possible because Georgia could not be given special treatment compared to other republics.[595]

In general, the problem of the excess cash was to some extent mitigated by the price increases. People's excessively large savings stored in the State Bank decreased somewhat. Vladimir Alkhimov, the new head of the State Bank of the USSR, reported to the Council of Ministers in 1982 that the inflow of money to the savings accounts, which had been heavily increasing every year since the late 1960s, started to decrease thanks to the price raises. This inflow was 15 bln rubles in 1979, 10 bln in 1980, 9 bln in 1981 and 6 bln in 1982[596]. On the other hand, however, most goods still remained in short supply after each price increase, which made the authorities increase prices multiple times.

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[594] GARF. f. 5446. op. 111. d. 321. l. 9-12.

[595] GARF. f. 5446. op. 142. d. 300. l. 103.

[596] *Po stranitsam arkhivnykh fondov Tsentral'nogo Banka Rossiiskoi Federatsii,* no. 8 *Denezhnoe obrashchenie v SSSR v 1976–1985 godakh (vedomstvennye dokumenty)* (Moscow, 2009): 116.

According to the Ukrainian Central Committee report, despite several price increases, the demand for gold, rugs, fur coats, cars, and imported furniture still remained unsatisfied in the Ukrainian SSR.[597] An economist Igor Birman who emigrated to the US from the USSR in the 1970s argued that the price increase led to an increase in demand for some goods because people were afraid of future price increases and were looking to invest their money in any goods they could find so that the money would not depreciate[598]. According to Alekseii Krasnopivtsev, his *Gosplan* colleagues suggested in 1979 that the scale of the increase was not enough: the prices for goods and services should have been raised by 30 billion rubles, not just 2-3 bln.[599]

The main problem of the price increases, however, was that this measure affected various groups of the population disproportionately. While for a lot of the ordinary people, who had been saving for these goods for a long time, the price increases were substantial, for the wealthy underground dealers it did not make a lot of difference. The situation with the waiting lists speaks to this issue. A 1979 report of the Moscow Trade Department showed that the demand for jewelries, cars, furs, furniture, and rugs remained stable after the price increase; the only thing that did change was the composition of the customers. Before the increase the majority of them were the so-called "pre-registered" customers, i.e. those who signed up on the waiting list long before the actual purchase. Since the demand for furniture and rugs was much higher than the amount of goods in stock, a waiting list system for some items was introduced back in the late 1960s. In each store there existed a list of customers who wanted to buy a certain furniture set or carpet.

[597] TsDAHO. f. 1 op. 25. d. 1941. l. 18.

[598] Igor Birman and Roger A. Clarke, "Inflation and the Money Supply in the Soviet Economy," *Soviet Studies* 37, no. 4 (1985): 494–504.

[599] Krasnopivtsev*, Zhazhda spravedlivosti,* 126.

As soon as the store received a new supply it let the pre-registered customers know that the good was in the store and the customers had five days to buy it. If he or she did not purchase the good, it was released for "free sale". The 1979 report claimed that after the price increase, the turnout of pre-registered customers decreased from 95% to 50%, while the "free trade" demand was not affected and all the available stock of goods was still sold within 10 days after arrival at the store[600]. In other words, many ordinary people could not afford the goods after the price increase, while those who presumably had connections with the trade-workers and thus knew when the goods were released in "free trade" (and most likely were themselves involved in the resale of goods) still had enough money to buy them.

Criticizing the price increases in his diary Anatoly Cherniaev, a Central Committee functionary, claimed that price increases only provoked popular dissatisfaction and did not bring any economic result. On the eve of the price increase in June 1979, he wrote: "Where does Russia go? There will be yet another price increase for luxuries soon: cars, furniture, furs, gold… My friends from the Central Committee's financial department say that not a single time such an 'event' achieved the desired goal. […] The wealthy become even wealthier (because a car bought today will cost more tomorrow). The gap in the well-being grows, as does the resentment and irritation." [601] People's reaction to the price increases expressed in their leters to state bodies shows, as we will see below, that Cherniaev was right in his assumption: an unintended consequence of the price increases was the revelation of the growing material inequality and thus great popular dissatisfaction.

[600] TsAGM. F. 356. op. 1. d. 3820.

[601] Cherniaev, *Somvestnyii Iskhod: Dnevnik Dvukh Epoch, 1972-1991*, 341, 366.

Reaction of the Population to the Price Increases

Because Soviet authorities were very worried about the reaction of the population to the price increases, they constantly monitored the situation after each increase and used all the tools they had to explain the measures to the population. For example, on the day of the price increase of March 1, 1978, the local Party organizations in the region of Udmurtia, in Central Russia, sent 30 thousand political information officers and agitators to the factories and to the stores to "lead explanatory work".[602] In September 1981 in the region of Ivanovo, party workers, following Glushkov's TV address on the eve of the price increase, went to the textile factories in the middle of the night to discuss the situation with the people, mainly women, who worked the night shift.[603]

The KGB was also closely monitoring the situation in every region after each price increase, gauging people's reactions. Although there was no major popular unrest, some ordinary people were ready to engage in displays of "anti-Soviet activity" because of the price increases. For example, On June 25, 1979 Z.Vinogorodksaya, a 38-year-old post office worker in a small town of Radomyshl' in the Zhitomir region in Ukraine, among the letters she took out of a mailbox, found a leaflet containing a satirical poem about the price increase. In the poem, an anonymous author wrote about the price increase "in a slanderous manner", as the local KGB later reported. Instead of reporting the incident or just getting rid of the leaflet, Vinogorodksaya gave the poem to her colleague, E. Glukhenskaya, a 25-year-old telegraph operator, and asked her to make a

[602] RGANI. f. 5. op. 75. d. 186. l. 5-6.

[603] RGANI. f. 5. op. 84. d. 77. l. 2.

few copies on her typewriter to distribute among other post office workers. When the local KGB learned about the incident, it destroyed all of the copies and took "preventive and educative measures" among all the post office workers involved.[604]

But more directly, many citizens wrote letters to newspapers and state bodies, such as Party Central Committee and *Goskomtsen*, after each price increase[605]. In these letters a lot of people recalled Stalin's yearly price lowering in connection with Brezhnev's price raises. They claimed that while Stalin really cared for the people, Brezhnev's government only made the economic state worse, which was proven by the price increases.[606] People also recalled that the famous price increase of 1962 (the cause of the Novocherkassk massacre) was supposed to be only "temporary". They asked, then, why 15 years later, the prices for meat and milk were still not lowered back to their original rates.[607]

Some people complained that the price increases affected them directly and they were unable to afford the items they wanted to buy. For example, a letter writer from Lvov in Ukraine claimed that he had been saving for a car for 15 years and hoped that he would be able to use it when he got old. Now he had to stop driving because he received a small pension and could not afford paying for expensive gasoline.[608] Konstantin Shul'nik from the city of Karaganda in Kazakhstan asked why chocolate candies became so expensive. He explained that, with this inclusion in the measure, the government was

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[604] SBU Archive. f. 16. op. 1. d. 1157.

[605] Writing letters to newspapers and state bodies was very widespread in this time period. In the late 1970s the total number of letters to all Soviet central newspapers taken together, according to some sources, amounted to between 60 and 70 millions a year: Riordan, *Dear Comrade Editor*, 2.

[606] Letters to Goskomtsen of 1978: RGAE. F. 437. op. 5. d. 713. l. 82-83.

[607] Letters to Goskomtsen of 1977: RGAE. f. 437. op. 5. d. 405. l. 9

[608] RGAE. F. 437. op. 5. d. 713. l. 13.

depriving people of the possibility of buying candies for their children, which, in his view, was a basic need.[609] Some people were worried that the price increase for luxury items was a sign of a future rise in prices for basic necessities, such as food.

For the majority of letter writers, however, the price increases had a symbolic, not practical, meaning. For one thing, they were disappointed by this measure because it did not seem socialist. I.K. Ocheret'ko, a worker from Zaporozhie in Ukraine, found it outrageous that the government dared to raise prices in the year of the 60th anniversary of the revolution (1977). Consider also the words of another letter writer from Kiev, who asked, "If there are price increases every year, does it mean that the Party does not care about its people anymore?"[610] Perhaps even more radical were the words of a worker from Syktyvkar in the North of Russia, who suggested that the price increase could have only been done by a person of the "capitalist breed" (*kapitalisticheskoi zakvaski*). [611] N.P. Gritsik, the deputy head of an operating department at a ship building plant in the city of Nikolaev, explicitly stated that he did not consider himself materially affected by this measure, but only morally. "How come that after all speeches and promises of the improvement of the well-being, the prices are raised, no matter for what? It ruins the trust towards the Party and the government", he claimed.[612]

The feeling of injustice was enhanced by the fact that Soviet newspapers constantly wrote about price increases in the capitalist countries in order to emphasize the superiority of the Soviet Union, in which such measures were said to be impossible. "I

[609] RGAE. F. 437. op. 5. d. 713. l. 82-83.

[610] TsDAHO. f. 1. op. 25. d. 2586. l. 30.

[611] RGAE. F. 437. op. 5. d. 713. l. 68.

[612] SBU Archive. f. 16. op. 1. d. 1128. l. 30.

just read the announcement about the price increase and I would like to know: why in the capitalist countries are prices usually increased by only 3-6 percent, while here, in the country of developed socialism, — they are increased by 60% or even 100%?!" — asked N. Shishkov from the town of Abaza in Krasnoyarsk region in Northern Russia.[613] Along these same lines, a journalist from Tashkent in Uzbekistan in a letter to the Central Committee claimed that it was extremely unwise for *Izvestia* to publish yet another forecast that prices in the USA would soon rise by 25% when USSR prices were increased by an even higher percentage. "We are often revealing the shortcomings of our ideological enemy", - he noted, - "without taking into account the state of affairs in our own country".[614]

However, one of the most important unintended consequences of the price increases was the articulation of material inequality existing in the Soviet Union. While the government may have viewed the goods for which prices were increased simply as non-essential items, for a lot of people they represented luxuries, designed for wealthy people. Even though the demand for these goods was high, most people still could not afford them and price increases only expanded this gap. People were left to ask: who had the money to buy those goods, and why did they have it in the first place? A leaflet found in Kiev in July 1979, sarcastically titled "Long live the price increase!", explained that for "normal people" the price increase for luxury items did not actually make a difference: "Those who earn 70 rubles per month could not even dream about those goods, even before the prices were increased". The author then argued that the price

[613] A 1978 letter to Komsomol'skaya Pravda: *Kommersant Vlast*, no. 21, June 2, (2014): 69. Accessed April 8, 2022.

https://www.kommersant.ru/doc/2476347

[614] RGANI. f. 100 op. 1 d. 88. l. 31.

increase revealed that there existed a “Communist bourgeoisie” in the Soviet Union, for whom the increases were, likewise, irrelevant: they had so much money that they would continue to buy cars, gold and silver no matter how much the cost. [615]

The leaflet author did not explain whom specifically he meant by the “Communist bourgeoisie”, but the majority of the letter writers made it clear that in their view those who could afford to buy such expensive goods had earned their money illegally, exploiting shortages. In her letter to the Central Committee, a Kazan' librarian assumed that the reason for raising prices was that party and government officials believed that, based on the shopping lines for jewelry and other luxuries in the stores, Soviet citizens were already too wealthy. “This is not the case, we are not wealthy!” – she explained. – “Those who stand in those lines are not ordinary people, these are profiteers and thieves. One can raise prices even 10 times and they will still be able to afford these luxuries. This is one more piece of evidence that our society is divided.”[616] Along the same lines, readers who wrote letters to *Literaturnaya Gazeta* newspaper cited in Chapter 5 juxtaposed the “normal” Soviet people to the enriched underground dealers.[617]

Other letters seem to support this assertion, charging that the local party workers in their explanations of the price raises occasionally justified them as a means to 'pump out' the excess money from underground dealers. “It is a naive reasoning!” - a woman from Donetsk region claimed in her letter to *Literaturnaya Gazeta* in 1981. – “The higher the prices are, the more they will have to steal from us, in order to be able to afford the

[615] SBU Archive. f. 16. op. 1. d. 1158. l. 8.

[616] RGANI. f. 5 op. 76 d. 116. l. 41.

[617] Library of Congress. Rubinov Collection, b. 25, f. 59a, l. 43040.

lavish lifestyle they are already used to". [618] "Do you really think that the price increase will help to "pump out" the wealth of the thieves?" - wrote an anonymous group of people from Kiev. – "Maybe it would be better to interrogate some people about how they managed to get several cars, apartments and millions on their bank accounts? It is time to put an end to the division of our society into the wealthy and the poor".[619] Viktor Barkunov, a teacher from the city of Kaluga, 200 km from Moscow, wrote in his diary in November 1978 that he heard that prices had been raised to fight against the wealthy dealers. "But they would better figure out how those dealers acquired this wealth in the first place. It would be much more beneficial than raising prices. This way it will not affect those who earn their living by honest labor".[620]

It was not a coincidence that Viktor Nechaev, who committed suicide on the day of price increase in 1978, wrote in his suicide note that only thieves lived well, while ordinary workers were poor. For Nechaev, as for a lot of other people, price increases for luxury items underscored the growing material inequality, created by the black market, thus bringing to light the imperfection of state socialism.

Conclusion

An analysis of this institution of uniform state retail prices in the Soviet Union and their eventual increase brings to the fore a lot of unanswered questions about the Soviet project. Should Soviet society function according to objective economic laws or

[618] Library of Congress. Rubinov Collection, b. 25, f. 59d, l. 42766.

[619] "A 1978 Letter to Komsomol'skaya Pravda."

[620] Viktor Barkunov. *Protokol zhizni*. (Kaluga, 2004).

according to moral principles of social justice? Should all Soviet people be materially equal or do some of them have the right to own more than others? Should there be luxury under socialism? The policies of price increases in the late 1970s to early 1980s and the reactions of the population to them show that these questions became acute. The well-being of the whole Soviet population was growing thanks to the production and imports of consumer goods, as well as the growing wages. However the well-being of the underground dealers, enriching themselves through the drawbacks of the planned economy, was growing even faster. The Soviet state had to deal with serious economic problems, but did not want to give up socialist ideals. The resulting compromise satisfied neither the Soviet state itself in economic terms, nor its population in moral terms. Soviet citizens were very sensitive to the contradictory measures, such as price increases for luxury items. Even though price increases were specifically designed not to affect the broader population from a material perspective, people still felt hurt. They felt that these measures were a betrayal of socialist principles and revealed the growing social injustice of the late Soviet Union. This resentment towards material inequality and dramatic displays of wealth became even more relevant and articulated a decade later, first during *Perestroika* reforms and then after the collapse of the Soviet Union, as I show in the next chapter.

Chapter 7. Introduction of Capitalism or Development of Socialism? Discussions of Private Enterprise and Social Justice in the Soviet Union during *Perestroika* (1986-1991).

On October 8th, 1987, a Politburo meeting discussed plans of economic development of the USSR. During the discussion Mikhail Gorbachev, the General Secretary of the Communist Party, said: "Our local authorities create hindrances to individual entrepreneurs. It is a huge mistake because these entrepreneurs are our resource! We have a lot of skilled, enterprising people. We should help them. For real! It doesn't matter how much these people will earn. We should give them a possibility to earn what they deserve. All this serves to one goal — improve our economics, combining private and public interest. This is what I call "work for socialism" (*rabota na sotsialism*)".[621]

Gorbachev's words were revolutionary because they contradicted usual Soviet rhetoric. Private enterprise had been fought against throughout Soviet period and was never seen as a part of "work for socialism".[622] All Soviet enterprises and property belonged to the state and although some forms of small individual enterprise was formally allowed, it was still often interpreted as a criminal offense[623]. Seeking private

[621] Cherniaev, *Sovmestnyii Iskhod*.

[622] The only exception was the period of NEP (1921-1928), when some market elements were introduced as a temporary measure in order to restore economics after the Civil War. However, even then nepmen were not thought of as "skilled people" who had to be helped but they were rather mocked and criticized in the state rhetoric. See Ball, *Russia's Last Capitalists*. Sheila Fitzpatrick, "Ascribing Class: The Construction of Social Identity in Soviet Russia," *The Journal of Modern History* 65, no. 4 (1993): 745–770.

[623] See, for example, Soviet textbooks on criminal justice: *Sotsial'nye otklonenia. Vvedenie v obschuiu teoriu* (Moscow, 1984): 161; *Lichnost' prestupnika* (Moscow, 1975): 160. See more on that below.

gain and especially earning big money as a result, were always seen in the state rhetoric as anti-social behavior and a proof that a person did not contribute to the common socialist cause but prioritized his own selfish interest. Gorbachev and his team, however, had a different view. They adopted a law on "individual labor activity" in November 1986 and then a law on cooperatives (private enterprises) in May 1988 trying to encourage and support private initiative. They saw private incentive as a way to revive socialism. For them socialism and private gain were not mutually-exclusive but rather mutually reinforcing.

Gorbachev's *Perestroika* was in general a time of change and experimentation. In his attempt to overcome the "stagnation" of the previous period, Gorbachev encouraged relative freedom and private initiative in many spheres. There was a loosening of censorship in the press and publishing policies. There were also attempts at increasing public participation in governance by introducing elections to various state and Party bodies and even creating a new elective body of state authority (Congress of People's Deputies). Finally, there was loosening of control over the Communist Bloc countries. In this sense praising economic freedom was an organic part of *Perestroika*. And yet, combining socialism with private enterprise proved to be a hard task.

In this chapter, I explore this issue by focusing on the drafting, enforcement and public debate of the law on cooperatives. Cooperatives were private firms allowed in 1987 as a step at making socialism more economically efficient. The law was seen by reformers and then by some scholars as a progressive measure, which used market elements to fix Soviet economic problems. In this picture, the critics of the law were

described as "conservatives" and "dogmatists", advocating for "leveling" (everybody earning the same), and opposing "progress"[624]. I would like to look more closely at the enforcement of the law and the debate around it to create a more nuanced picture of the late Soviet society's various views regarding labor and distribution. I argue that supporters of the law, both experts and ordinary people, believed that the introduction of such market elements, as cooperatives, would have worked to the benefit of the whole society and refused to see any problems the law might have created such as expanding material inequality. Even when it became obvious that economic actors used the new opportunities to their own profit rather than for the public good, the law-supporters continued to support unrestricted private initiative as a natural thing able to bring prosperity to the society. Meanwhile those who opposed the law or advocated for some state intervention, pointing at too high earnings of the cooperators and growing material inequality, were usually dismissed as "conservatives".

I aim to explore how exactly different actors discussed private initiative and social justice during *Perestroika*. Based on the discussions of the law draft, details and consequences of its implementation, as well as the reactions to the law by various officials, experts and ordinary people in their letters, articles, and public debate I argue that the crucial issue for all of the participants was the question of what constituted "honest labor" and "deserved income". As a result of the reform, social stratification was growing and it made all sides of the debate articulate more clearly of how they saw social justice.

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[624] See, for example, Anders Åslund, *Gorbachev's Struggle for Economic Reform* (Pinter, 1991): 168-174. See also Archie Brown, *The Gorbachev Factor* (Oxford University Press, 1997) chapter 5;

This chapter first gives a brief overview of the debate about private enterprise before *Perestroika*; then proceeds to analyze the discussion of the draft of the law on cooperatives in 1987-1988. It then explores how this law was implemented. Finally, this chapter traces the reactions to the implementation of the law among the broader population. It shows how the allowed limits of private initiative were discussed, how the boundaries between deserved and undeserved income were understood by various groups, and how people tried to choose between "socialism" and "capitalism" at the very end of the Soviet rule.

Private Enterprise before Perestroika.

In the mid-1980s when Mikhail Gorbachev came to power the state of Soviet economics was poor. The level of production growth decreased every year, although state investment kept growing; state profits more and more depended on the oil exports; agriculture was in decline; labor productivity decreased caused partially by alcoholism and absenteeism among workers; theft and cheating further destroyed the already weak production; and the "second economy" with its black market provided for a lot of goods and services that the state retail trade could not offer, thus preventing people's income to get back to the state coffers[625].

This situation of crisis was on the mind of the Soviet leaders at least since the end of the 1970s. Officials and experts discussed possible ways of fixing the economy. One of the measures under discussion was giving more freedom to private enterprise, like it

[625] Yegor Gaidar, *Collapse of an Empire: Lessons for Modern Russia* (Brookings Institution Press, 2007); Stephen Kotkin, *Armageddon Averted: The Soviet Collapse, 1970-2000* (Oxford University Press, 2008).

was in other East European socialist countries and more recently in China.[626] In 1979 Politburo created a commission of economists, which made a report on the state of Soviet economics. Among other things the report stated that "since the demand of the population for consumer goods is not satisfied it would be helpful to expand the private artisan production and allow small *arteli* [artisan cooperatives]"[627]. At that point nothing was done about it but the discussions continued until 1986 when Mikhail Gorbachev came to power and started the reforms[628].

Theoretically, private economic activity had always been allowed in the Soviet Union. Article 17 of the Soviet Constitution of 1977 provided that "in the USSR, the law permits individual labor in handicrafts, farming, the provision of services for the public, and other forms of activity based exclusively on the personal work of individual citizens and members of their families. The state makes regulations for such work to ensure that it serves the interest of society".[629] However, this activity was not at all widespread. By 1986 there were only 84 thousands registered craftsmen across the Soviet Union, majority of them pensioners, engaged in a very small-scale production and repairs of clothing and shoes.[630] There were various reasons for that. First, people mostly just did not know it was legal to register as a private entrepreneur because public rhetoric suggested otherwise. Second, even if they knew it was possible, they were still afraid to do so, thinking that their entrepreneurship could have attracted the attention of law

[626] On Soviet discussions of China's economic reform, see: Chris Miller, *The Struggle to Save the Soviet Economy: Mikhail Gorbachev and the Collapse of the USSR* (University of North Carolina Press, 2016).

[627] RGANI. f. 89. op. 61 d. 10.

[628] On these discussions, see R.G. Pikhoia "O Periodizatsii Sistemnogo Krizisa Sovetskogo Soiiuza," *Rossiiskaia Istoria* no. 2 (2019): 3-29.

[629] Constitution of the USSR (1977).

[630] GARF. f. 7523. op. 145. d. 38 l. 107.

enforcement.[631] Third, the taxes on "individual labor activity" were set at a high level reaching 80%, depending on income[632]. Therefore, those who did chose to engage in private entrepreneurship preferred to do so underground. In 1986 there were about 17 million people in the Soviet Union engaged in illegal production, trade and services, according to the statistics of the Research Institute of the State Planning Committee.[633] There existed a few articles of the Criminal Code, which were usually used to arrest those engaging in private enterprise, such as theft of socialist property, speculation, and others[634].

The Law on Cooperatives

When Gorbachev came to power he decided to act decisively to make Soviet economy more efficient ("accelerate" it, as he put it). He knew citizens were dissatisfied by corruption and shortages of consumer goods and chose to blame all the problems on the previous leaders, mostly Leonid Brezhnev. He explained that the country fell behind because of the over-bureaucratized "administrative-command system", which among other things, suppressed private initiative, which was crucial for any development, be it in economical or political sphere. A key term for Gorbachev's reforms was "human

[631] Ivanova, "'Samopal Pod Firmu': Podpol'noe Proizvodstvo Odezhdy v SSSR v 1960e-1980e," 83.

[632] GARF, f. 9474, op.10, d.853.

[633] GARF. f. 7523. op. 145. d. 39. l. 119.

[634] The chapter of the Criminal Code of the RSFSR entitled "Economic Crimes" (*khoziaistvennye prestuplaniia*) included articles on private enterprise (*chastnopredprinimatel'skaya deiatel'nost')*, speculation or profiteering (*spekuliatsia*), and commercial mediation (*kommercheskoe posrednichestvo)* (Criminal Code of the RSFSR: articles 87–91). The chapter of the Criminal Code entitled "Crimes Against Socialist Property" included articles on theft of the socialist property, material damage, and embezzlement (Criminal Code of the RSFSR: articles 62–69).

factor"[635]. What he meant by that was the necessity to mobilize the enthusiasm and proactivity of the masses for the success of the reforms. Among other things "human factor" meant giving more economic freedom to individuals. According to Gorbachev and his team, what was to save Soviet economy and society was economic self-interest. Gorbachev felt that if the "excess" of initiative, time and resources, which has not been used in the state planned economy, had been put to use, the economy would have started to thrive. So what Gorbachev suggested on the 27th Communist Party Congress was an economic reform, which would allow some degree of private enterprise. [636]

First step on this path was the adoption of the law "On Individual Labor Activity"[637]. This law allowed Soviet citizens to engage in individual production of goods (such as clothing or furniture) and services (such as repair of cars or home appliances, as well tutoring or hairdressing) but still with no use of hired labor (to avoid exploitation)[638]. One year after the law on individual labor activity, another revolutionary law began to be discussed, namely the law on cooperatives. Cooperatives were groups of people united to create a private enterprise. Cooperatives had to become fully entitled private economic agents; as opposed to the state enterprises, cooperatives were not subject to central planning and had to function at full self-financing. The main difference of cooperatives

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[635] See for example, Mikhail Gorbachev, *Political Report of the CPSU Central Committee to the 27th Congress of the CPSU* (Moscow, 1986): 49, 76; See also a seminal article by a leading Soviet economist and sociologist Tatiana Zaslavskaya: Tatiana Zaslavskaya, "Chelovecheskii Faktor Razvitiia Ekonomiki," *Kommunist*, no. 13 (1986): 3–35.

[636] Gorbachev, *Political Report*, 59. 1987 was also the time when the idea of potential superiority of capitalism over socialism began to be discussed in the press. First such instance was an article in Novyii Mir by an economist Larissa Piiasheva (under a pen-name Larissa Popkova), in which she mocked a possibility of a mixed economy and argued for a full transition to the market: Larissa Popkova, "Gde Pyshnee Pirogi?" in *Novyii Mir* no.5, (1987).

[637] "V Politbiuro TsK KPSS," *Pravda*. March 28, (1986): 1; *Vedomosti Verkhovnogo Soveta* no. 47 (1986) article 964.

[638] In this chapter I will not go into detail about the law on individual labor activity.

compared to "individual labor activity" was the permission to hire labor. In January 1987 on the Plenum of the Central Committee Mikhail Gorbachev said: "Comrades, we should decisively get over hesitations towards cooperative movement, which we had in the past, and still have today. […] There is a rejection of the economic forms which do not fit in the traditional assumptions, even though they are critically important because they stimulate the initiative of the toilers and raise their social activity."[639] In February 1987 right after the Plenum a decree of the Council of Ministers of USSR legalized the creation of cooperatives for production of consumer goods and services.[640] An all-Union law on cooperatives was adopted more than a year later, in May 1988. In between a commission of the Supreme Soviet of the USSR was created to discuss the draft of the law and review the first instances of its implementation. It included officials from various ministries, experts, and deputies.

The first goal of the law was proclaimed to be the satisfaction of consumer needs. Cooperatives were meant to help solve the problem of shortages of goods and services, which existed in the state sector. Second goal was the "improvement of economic mechanism", i.e. making the whole economy more efficient. Third goal was the "growth of the material well-being of the members of the cooperatives". So the text of the law represented a weird combination of the emphasis on public good with the care about private interest of the future businessmen.[641]

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[639] "'O Perestroike I Kadrovoii Politike Partii', Doklad General'nogo Sekretaria TsK KPSS M.S. Gorbachev, 27 iianvaria 1987 goda," *Materialy Plenuma Tsentral'nogo Komiteta KPSS 27-28 ianvaria 1987 goda*. (Moscow: Politizdat, 1987).

[640] "Postanovlenie Soveta Ministrov SSSR ot 05.02.1987 № 162 'O sozdanii kooperativov po proizvodstvu tovarov narodnogo potrebleniia'," *Sobranie Postanovlenii Pravitel'stva SSSR*. no. 51 (1987), article 42.

[641] GARF. f. 7523. op. 145. d. 879. l. 44-76.

Cooperatives got the right to make contracts with non-members to hire labor. However, all cooperative members had to participate as well in the "labor activity" of the cooperative in order not to become pure exploiters. The Supreme Soviet commission considered specifically a question of whether members of cooperatives could have participated by just making an investment and then getting profit with no contribution of "real labor" and decided it was unacceptable. It was thus declared that the state had to prevent cases in which cooperatives "were used for private enterprise with the use of hired labor under the guise of cooperatives". [642] So, as we can see, although cooperatives represented a market element, there was a certain attempt by the legislators to make cooperatives compliant with socialist norms.

On the other hand, however, legislators also wanted to change these norms. It was constantly emphasized in the commission meetings that private enterprise was met with suspicion in society, by both local officials and broader population. Thus, it was important to create an "appropriate ideological climate" for cooperatives in the society. So it was decided that the first article of the law had to state that the labor of the cooperator was "a form of socially useful activity" and was "prestigious, respected and fully encouraged by the state". Article 29 (on the relationships between cooperatives and the state) claimed that the state through the means of the media had to "create the most favorable ideological context for the activity of cooperators and the moral climate so that every member of the cooperative would feel that by his work he/she fulfilled an important socially useful activity". Vladimir Yazev, an instructor from the College of Soviet Trade and a commission member, expressed some doubt about whether this clause

[642] GARF. f. 7523. op. 145. d. 879. l. 105.

was reasonable. "Does it mean cooperatives should be beyond criticism? If it turns out there are shortcomings in their activity, should the media be silent about them?"[643] In response other commission members explained that this clause meant that cooperatives should be seen in the same context as state enterprises, i.e. as a natural phenomenon, and thus criticism was possible but there should be no prejudice.

The most problematic question as revealed from the discussion of the law draft was the issue of cooperators' income, retail prices of their production and the type of activity they could have performed. Some of the deputies suggested to include a clause that "cooperatives could not be used for private gain (*nazhiva*) and selfish goals." However as Margarita Masevich, a legal scholar from the Research Institute of Soviet Legislation, noted this clause made no sense since the very essence of the law was actually the encouragement of private gain.[644] Most commission members agreed with Masevich and the clause was not included in the final draft of the law. Other deputies suggested to include a clause that "activity of cooperatives should not bring damage to the interests of society, state, or citizens" but a representative of the Council of Ministers decided this should not be included either because it encouraged prejudice and created "a wrong idea about cooperatives".[645]

When the law draft was published in *Pravda* newspaper for public discussion, the commission received a lot of letters from the broader population with comments on the law. The main concern of the letter writers was that the law would legalize "speculation". People were worried that cooperators would buy goods in short supply from the state

[643] GARF. f. 7523. op. 145. d. 879. l. 195.

[644] GARF. f. 7523. op. 145. d. 879. l. 104, 120.

[645] GARF. f. 7523. op. 145. d. 883. l. 103.

stores for low state-fixed prices through personal connections or bribes and then resell them for higher prices. Another similar concern was the amount of labor cooperators had to contribute in order to make their activity "useful". If they bought goods from the state retail, made some modifications of these goods, and then resold them for higher price, how large their mark-up could be, people asked?[646] All these questions highlighted a weird economic situation in which private cooperatives with free market prices coexisted with the state retail trade with low state-mandated prices. But it also highlighted people's worries about the nature of "honest labor" and "deserved income".

Klavdiia Yaroshenko, a researcher from the institute of Soviet legislation and a Supreme Soviet commission member, thought these worries were reasonable: "Now we can see that some cooperators just go to the stores and push normal customers out. They buy everything they could possibly find and then resell it for higher prices. We should definitely stop this because if not, we will kill the very idea of a cooperative. We should encourage only those who manufacture completely new items".[647] However, other commission members argued that since it was hard for cooperators to get raw materials for their production from the state centralized system of *Gossnab* (State Supplies Committee of the USSR), they just had to buy some goods from regular stores. It was hard to distinguish between items they bought as raw materials for future production and items they bought just for resale. Ultimately, the commission decided not to include any restrictions on "speculation" but rather to ask the *Gossnab* to make raw materials more readily available for cooperators[648].

[646] GARF. f. 7523. op. 145. d. 879. l. 148-149.

[647] GARF. f. 7523. op. 145. d. 879. l. 173.

[648] GARF. f. 7523. op. 145. d. 879. l. 177.

Another point of disagreement was whether or not the prices on cooperators' production had to be regulated. The draft stated that the prices of goods and services produced by coops had to "reflect reasonably required expenses, take into account the quality of goods and the demand for them". The clause then stated that the prices "should be mutually beneficial for cooperatives and the consumers" and that the competition "should eventually lead to the lowering of prices". All this phrasing reflected a weird combination of the promotion of the market with the attempts to restrict it. Vladimir Yazev, an instructor of the Institute of Soviet trade and a commission member, thought the phrasing was wrong and the prices for the cooperatives' production had to be limited by the state. "The cooperatives have just started so there is not enough competition yet, which means that the situation will just lead to a monopoly and extremely high prices!" he worried[649]. When other commission members noted in response that the price restrictions would have scared the cooperators off, Yazev exclaimed: "Why are you so afraid of the price control? Even capitalist countries do that!".[650] This remark shows that Yazev believed that in their promotion of cooperatives with free prices, most legislators wanted to reproduce capitalist retail trade, thinking that could have helped Soviet economy. At the final discussion, the suggestion of limiting prices was rejected as "not corresponding to the notion of free development and to the goal of cooperatives' financial independence"[651].

Another related problem was the income of cooperators. Article 25 of the law explicitly stated that the maximum income of a cooperative member was "not limited".

[649] GARF. f. 7523. op. 145. d. 879. l. 180.

[650] GARF. f. 7523. op. 145. d. 879. l. 182.

[651] GARF. f. 7523. op. 145. d. 880. l. 216-226.

This was an unusual situation because most people in the Soviet economy were state employees and their salaries were not very high. Thus, some citizens noted in their letters to the commission that the unlimited income of cooperators contradicted the very system of distribution in the Soviet Union. There existed a lot of social benefits provided to the citizens for free, some letter writers argued; the wages were not too high exactly because people were granted free education, healthcare and housing. So if a cooperator could use all those social benefits as any other Soviet citizen, did they have the right to earn much more than the average? According to the letter writers, this contradicted social justice[652]. However, after the discussion, commission members decided not to limit cooperators' earnings. Margarita Masevich, a legal scholar from the Research Institute of Soviet Legislation, again argued this could have scared people away from creating cooperatives. "We should not put too much pressure on cooperatives, they are just starting their activity. It's important not to restrain this development".[653] As we can see, the fact that the private initiative was seen as a panacea, made legislators not to restrict cooperators in any way in order to motivate people to engage in cooperative activity, despite some citizens' concerns about social injustice.

Taxes for cooperatives were also set at a very low rate. There were two types of tax. First one covered the activity of cooperatives as organization. In the first year of its existence, a cooperative had to pay only 2% of its profit, while in the following years - 10% . The second tax was imposed on each cooperator's individual earnings. This tax

[652] GARF. f. 7523. op. 145. d. 879. l. 148-149. On the Soviet welfare see McAuley, *Economic Welfare in the Soviet Union*; Ivanova, *Na Poroge "Gosudarstva Vseobshchego Blagosostoianiia"*.

[653] GARF. f. 7523. op. 145. d. 879. l. 149.

was progressive depending on income.[654] There was a big discussion in the commission on what would be the right size of this second tax. For example, Tatyana Koryagina, an economist from the Research Institute of Gosplan specializing on the underground economy, insisted that high taxes for cooperators were wrong because it would have made people go underground. "This is the victory of our economists and sociologists that cooperative sector is now developing," Koryagina argued. "People started registering their businesses and high taxes may make them go back to the black market".[655]

Interestingly, despite concerns of the cooperatives' supporters, individual taxes for cooperators were set at a rather high level. It was done primarily because of the people's letters and it was one of the rare examples when private initiative was restricted despite the overall principle of freedom of cooperators, encouraged by most legislators and Gorbachev himself. According to the special decree of the Supreme Soviet of the USSR adopted in March 1988, those cooperators who earned less than 500 rubles per month (2.5 average Soviet monthly salaries) were charged at 13% as all other categories of Soviet population (i.e. those employed by the state enterprises). However those who earned from 500 to 700 rubles per month had to pay 30% of the amount above 500 rubles; those earning from 700 to 1000 had to pay 50% of the amount above 700. Those who earned from 1000-1500 had to pay 70% of the amount above 1000, and finally those

[654] GARF. f. 7523. op. 145. d. 883. l. 3, 56.

[655] GARF. f. 7523. op. 145. d. 883. l. 81-82.

earning more than 1500 were to pay 90% of amount above 1500[656]. However, as evidence showed, the cooperators rarely paid those taxes.[657]

The law on cooperatives was finally adopted in May 1988. The law was still considered on the state level to be an important step in the economic development of the country. It was explained in the final version of the law that cooperatives not only improved the supply of consumer goods but also created a competitive atmosphere, which would have stimulated the state sector to work better[658]. On May 24, 1988 on the meeting of the Supreme Soviet of the USSR, which adopted the law, Nikolay Ryzhkov, the Chairman of the Council of Ministers of the USSR, summarized: "If a cooperative wins – we all win!".[659]

Enforcement of the Law on Cooperatives

Cooperatives developed rapidly. While in 1988 there were 369, 000 people working in cooperatives, by the end of 1989 there were about 5 million (a little more than 3% of labor force) in the USSR.[660] By 1990, their output grew to 60 billion rubles, 5% of the gross national product. [661] However, in the total retail turnover cooperatives

[656] Ukaz Prezidiuma VS SSSR № 8614-XI ot 14.03.1988 "O nalogooblozhenii grazhdan, rabotaiiushchikh v kooperativakh po proizvodstvu I realizatsii produktsii I okazaniiu uskug", *Vedomosti VS SSSR* no. 11, (1988) article 174.

[657] Roman Kirsanov, "Kooperativy v Gody Perestroiki: Slozhnosti i Protivorechia Stanovlenia Chastnogo Biznesa v SSSR," *Rossiiskaia Istoria*, no. 1 (2017): 181–194.

[658] Zakon SSSR o kooperatsii v SSSR. Moscow, 1988.

[659] "As remembered by a State Planning Committee's employee in his diary" in Krasnopivtsev, *Zhazhda Spravedlivosti*, vol.2: 15.

[660] Anthony Jones and William Moskoff, *Ko-Ops: The Rebirth of Entrepreneurship in the Soviet Union* (Indiana University Press, 1991):16.

[661] Jones and Moskoff. *Ko-ops*, 16.

represented less than 1% of goods and services produced[662]. Moreover, statistics showed that most of them did not operate on the consumer market and even when they did, they did not produce new goods, as it was planned, but rather resold existing goods, as predicted by some of the letter-writers. With the preservation of the state sector with its centrally fixed prices, cooperatives' activity represented a weird imbalance. A lot of them either engaged in resale or in intermediary services, and mainly worked with the state enterprises. A lot of cooperatives were created as a part of the state enterprises and thus was just used to siphon off goods and resources from the factories[663]. The fact that the cooperatives were allowed to engage in import/export operations created perhaps the biggest profit for them as they could have played on the underdeveloped foreign trade and inadequate state currency exchange rate. When a few representative cooperators were invited to the meeting of the Supreme Soviet's commission to discuss the law draft, it turned out all of them performed intermediary services rather than manufacturing goods. Moreover, all of them worked with enterprises not with individual consumers. Most widespread activity was buying materials considered waste (*otkhody*) from the state enterprises, selling it abroad, and using money to import goods most wanted by the Soviet enterprises and the most wealthy consumers (most often computers). [664]

Even those cooperators who did work on the consumer market often did not contribute to solving the problem of the shortages of essential goods. They often just tried to find the easiest way to earn as much as possible. For example, Vladimir Gusinsky, one of the main future Russian oligarchs of the 1990s, started in 1987 as a cooperator

[662] Kirsanov, "Kooperativy v Gody Perestroiki," 189.

[663] Steven Lee Solnick, *Stealing the State: Control and Collapse in Soviet Institutions* (Harvard University Press, 1998): 228-233.

[664] GARF. f. 7523. op. 145. d. 883. l. 94.

producing copper bracelets. A 35-year-old failed stage director, Gusinsky drove unofficial taxi in Moscow and then, when cooperatives became legal, he started to produce bracelets out of copper cable. These bracelets with tiny dragons on them became a craze at that time and were used to fend off illness or evil spirits. They cost Gusinsky 3 kopeks to produce each while he sold them for 5 rub apiece (1650% profit). Out of copper cable bought almost for nothing from a state enterprise, with metal stamping machine rented from a state enterprise at a very lost cost, he produced 50 thousands of bracelets per day and earned 250,000 rubles every day. [665] Andrey Fiodorov was the first one to open a private restaurant in Moscow in 1987 as a cooperative. He confessed he got a huge space in the very center of Moscow for bribes. He then opened an expensive fancy restaurant, in which only rich people like himself could have eaten. [666] This allowed him to make a huge profit but did not help solve the shortages problem, maybe even made it worse (as he bought scarce food items for his restaurant).

In early 1988 a commission of the Committee of People's Control (state organization with the purpose of putting under scrutiny activities and organizations) made a research of the activity of existing cooperatives. Their investigation showed that in rare cases cooperatives were beneficial. This included taxi services cooperative in Vilnius, Lithuania, which allowed to resolve the taxi shortages that existed before. Also, a cooperative, which printed photos in Vladimir in Central Russia, worked quickly and was not too expensive, according to customers' reviews.[667] However, commission's

[665] David E. Hoffman, *The Oligarchs: Wealth and Power in the New Russia* (Hachette UK, 2011): 150-159.

[666] *Kommersant* no.17, Feb 22, (1997): 8. Accessed April 8, 2022. https://www.kommersant.ru/doc/173029.

[667] GARF. F. 9527. op. 1. d. 9549. l. 250-256.

overall impression was that cooperatives contributed to the destruction of the economy rather than its improvement and also created a lot of resentment among the population. Most often, commission stated, cooperatives were created on the basis of state enterprises and just replaced them but with much higher prices and with all the profit going to the pocket of the cooperative members. For example, in Kaunas in Lithuania a state auto repair shop #18 was just replaced by a cooperative and its employees became cooperative members. They performed the same job as before, but they charged clients much more and took all the money as their salaries. As a result less people could have afforded their services.[668] The main problem was that cooperatives coexisted with the state system of low prices and low wages. In Vilnius a tailoring cooperative rented space from the Vilnius plant of electromeasering instruments. The cooperative sewed pants for youth and sold them 4-5 times higher than the cost of production. Each member earned 700-1000 rub per month. Igor Martynov, the director of the plant, from which the cooperative rented space, said to the commission that regular plant workers, even most qualified, earned 2-3 times less and they worked side by side with cooperators, which created resentment among workers. "Is it even legal in our socialist system?" he asked. "I won't be surprised if in the near future we will see our first Soviet millionaires emerge".[669]When they inspected the activity of the Moscow cooperatives, commission members again raised the question of earnings "not corresponding to one's labor". They mentioned that Alexander Gorshkov, a director of a cooperative cafe "Gurman" rented baking equipment, hired cooks and sold raisin buns at 25 kopeks apiece. His salary was 2276 per month, 10 times more than an average salary of his cooks, while he was not

[668] GARF. F. 9527. op. 1. d. 9549. l. 13.

[669] GARF. F. 9527. op. 1. d. 9549. l. 18; 85.

doing anything. “Isn’t it morally dangerous that his salary does not correspond to his labor input?” commission members asked.[670]

An inspection of the sports cooperatives showed that although there were about 200 sports cooperatives created in 1987, it did not lead to an increase of the amount of people served but rather to a decrease because cooperatives were just using state facilities for higher prices. For example, a state swimming pool in Lithuania was closed for a few hours when it was used by a cooperative for higher prices in the peak hours and most people could not afford it.[671]

An inspection of the cooperatives in the Pskov region in north-western Russia in 1989 showed that 40% of the cooperatives served enterprises and not final consumers, which, as inspectors noted, meant they just cashed out money. They got from the bank account 10 times more than they deposited.[672] In Vladimir region only 6% of cooperatives delivered services to the population.[673] Most cooperators did not focus on the long-term perspective, inspectors in Pskov were finding, they were just looking for the easiest way to get maximum profit as soon as possible. All this did not contribute to the competition between the state and the cooperatives, as was planned, but only to the bad image of cooperatives themselves, the commission concluded.[674]

It is hard to tell whether cooperatives engaged in resale, intermediary services and the use of state facilities to their own profit, because it was the easiest way to get profit or

[670] GARF. f. 9527. op. 1. d. 9549. l. 155.

[671] GARF. f. 7576. op. 34. d. 3573.

[672] GARF. F. A420. op. 5. d. 2734.

[673] GARF. f. 7523. op. 145. d. 888. l. 7-12. Cited in Pikhoia, “O Periodizatsii Sistemnogo Krizisa Sovetskogo Soiiuza.”

[674] GARF. F. 420. op. 5. d. 2734. l. 26.

because there was no proper way for them to buy raw materials and produce goods. As mentioned above, raw materials were distributed in a centralized way according to the state plan and it was hard for cooperatives to be included in this system. Moreover, local authorities, which were often hostile to cooperatives because it was a new phenomenon, sometimes created obstacles or at least were not eager to help. Whatever was the reason, cooperators often had exceptionally high earnings and not through production, as it was planned. In the cases when cooperatives did produce necessary goods and services, they often charged very high prices because the market was in the embryo state and the competition almost did not exist. Finally, as most reports showed they avoided paying the high tax on their earnings[675]. In other words, most concerns expressed during the discussion of the law draft were coming true.

Public Debate about Cooperatives

Survey polls, as well as people's letters to the editors and to various state bodies, showed that cooperatives were a strongly polarizing issue. Those who supported them thought cooperatives were the embodiment of *Perestroika's* freedom. They were thought of as a source of initiative and creativity, able to revive Soviet economy and lead it to the Western prosperity. Those who criticized them argued cooperatives did not produce any goods, but rather used shortages and inefficiencies of the state system to their own high profit. In a telephone survey poll in 1989 people were asked "How do you assess the perspectives of the cooperative movement in our country?" 45% of the respondents

[675] Kirsanov, "Kooperativy v Gody Perestroiki."

picked the answer "the development of cooperative movement will contribute to the strengthening of the socialist economy", while 40% picked the answer "if cooperative movement is not controlled by the state there will be negative consequences". 15% more said cooperatives were just incompatible with socialism.[676]

Those who advocated for cooperatives usually used references to the Western experience arguing that cooperatives as a market element were a "natural" part of the successful economy. For example, a certain Denisov sent a telegram to Boris Yeltsin (then a popular deputy and later the president of independent Russia) in July 1989, in which he wrote: **"**In all capitalist countries those who buy cheap and sell dear are called "businessmen", "moneymen", "men of affairs". And here people invented the word "speculator" and such a person becomes a criminal. Capitalist countries are further and further away from us economically and this is exactly because they don't put labels on people. Now in the Supreme Soviet I hear accusations of intermediary cooperatives. Comrades deputies, this is not up to you to decide whether such cooperatives should exist or not. The demand is to decide! You should look at it globally, from the position of the world economy. Don't forget that our country is very low in terms of living standards compared to capitalist countries. So be wise and take the right decisions."[677] Alexander Berkutski, a cooperator from Volgograd, in December 1989 also wrote a letter to Boris Yeltsin, in which he asked "Why the question of my own free labor should be decided by

[676] L.V. Babaeva and A.V. Dmitriev, *Sotsial'naia Spravedlivost' v Zerkale Obshchestvennogo Mnenia* (Moscow, 1989): 22.

[677] GARF. F. 664. op. 1. D 350. l. 23.

the majority of population and not by the norms of international law and by universal human values".[678]

The supporters of cooperatives argued that the wealth of cooperators worked to the benefit of the whole society. Vladimir Gurevich, who worked as a scholar in a research institution, wrote a letter to *Ogoniok* magazine in March 1989 in support of the cooperatives. He argued it was fine "to let those inventive and energetic people go ahead and become millionaires (even billionaires)" because that way "we will be able to buy anything without shortages".[679] This point of view was also widespread among many Western observers of the time. For example, an American scholar Stephen Cohen in his book on *Perestroika* written in 1989 expressed his concerns that "unless the cooperative movement can overcome the array of barriers in the provinces, there will be no flourishing Soviet marketplace, substantial nonstate property, or economic reformation".[680]

In May 1988, *Ogoniok* journalist Alla Bossart interviewed Boris Gostev, the Soviet Minister of Finance. In the interview with a telling title "Iron Curtain of Tax" she made the minister explain why he set the taxes on cooperators' earnings at such a high level.[681] Bossart argued that cooperators earned their money by trying to fix problems created by the planned economy and thus deserved their high income. If the state was going to deprive them from that income it would stop them, Bossart was concerned, and

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[678] GARF. F. 664. op. 1. D 351. l. 24.

[679] Christopher Cerf et al., eds., *Small Fires: Letters from the Soviet People to Ogonyok Magazine, 1987-1990* (Summit books, 1990): 50-51.

[680] Stephen F. Cohen and Katrina Vanden Heuvel, *Voices of Glasnost: Interviews with Gorbachev's Reformers* (Norton, 1990): 31.

[681] Alla Bossart, "Zheleznyii zanaves naloga (ob otnoshenii k kooperativam i kooperatsii),"

Ogoniok no. 29 (1988): 4-5.

the country would not be able to flourish. In response, Gostev explained that the ministry introduced such taxes to restore social justice. Ordinary workers who worked on the state enterprises and received 200 rubles per month for their hard labor could not understand why cooperators earned five to ten times more. “We need to confiscate the excess profits. There should not be too much differentiation”, Gostev argued. He also explained to Bossart that the tax on cooperative itself remained very low, 2%, which should have made cooperators invest all their profit into development rather than put it in their own pocket. Bossart did not agree: “If you want to make cooperators develop their businesses you should first and foremost stimulate cooperators themselves!” she argued. Interestingly, Bossart also mentioned that in the United Stated in the recent years (i.e. during Reagan rule) the highest tax decreased from 70% to 28% and the Soviet Union, she argued, should have followed the same path. So Bossart clearly saw cooperatives as symbol of capitalism and a way to American abundance for the Soviet Union.

In this heated debate Gostev himself asked Bossart why exactly she was more worried about cooperators who had high earnings and not for workers who earned much less and felt resentment. She explained that this was because the cooperator produced for the market and thus by definition produced something useful, while the worker in the planned economy most likely produced something much less useful for the final consumer. She summarized what cooperator meant for her (and apparently for all of the cooperators’ supporters including maybe Gorbachev himself): “A cooperator takes fabric and sews fashionable pants. He takes a brick and builds a truly solid house. He takes a bulldozer and makes a road. He grows sheep and grills the shashlyk. This is what we’re talking about when we say “cooperators””. Gostev opposed that this image was too

idealistic and explained there were a lot of speculators among cooperators, those who did not produce any additional value but still got high "unearned" profits. In order to prove that his views were shared by broader population, Gostev invited Bossart to go together to the nearest factory and talk to the workers and include this in the article. She agreed and it turned out workers indeed supported Gostev's position. They talked about cooperators' earnings being made at the expense of the workers and asked why workers, even most hard-working ones, earned less than the cooperators. Minister Gostev summarized the visit: "The creation of this social stratum of the wealthy leads to social stratification and may create irreversible consequences. I suspect at some point the workers might riot"[682]. Thus, the very fact of high earnings and resulting increase in social differentiation was interpreted as a beneficial and contributing to the overall flourishing by cooperators' supporters, while taxes on big earnings were interpreted as a hindrance.

Those who criticized cooperatives talked primarily about their earnings and abou high prices for their production, and underscored bad impact their existence had on the economy and society overall. For example, a dentist from a state clinic in Ukrainian SSR in an anonymous letter to people's deputies argued that a lot of doctors left state clinics and worked in cooperatives. These clinics charged a lot and "normal people" could not afford it. However people could not get to the state clinics either because there was shortage of doctors because a lot of them left to cooperatives. "I understand those doctors: doctors in state clinic would get 150 rubles per month, while in a cooperative they would get 10 times more. Out of our 52 doctors in our clinic we now have only 12

[682] Bossart, "Zheleznyii Zanaves Naloga (Ob Otnoshenii k Kooperativam i Kooperatsii)."

left. So who is going to treat our patients? And this is all because of the cooperatives. So why do you care about them so much and make them pay such low taxes?"[683] In a letter to Boris Yeltsin, written on March 12, 1990, construction workers from Belgorod, a city in the South of Russia, wrote they were worried that Soviet society was more and more stratified into rich and poor. More and more people were engulfed by poverty and major reason was the existence of cooperatives. "For the same kind of work people in the state sector get from 2 to 20 times less than those who work in cooperatives, why so? We hear that cooperatives are beneficial for the society but from what we can see this is just a cover for plain robbery!"[684]

The resentment against cooperatives was widespread not only in the provinces and not only among older conservative population, as was sometimes argued.[685] In 1989 Deborah Adelman, an American scholar, interviewed eleven Moscow teenagers of diverse backgrounds about *Perestroika*[686]. Cooperatives were mentioned in all of the interviews and all of teenagers except for one disapproved cooperatives' activity. Adelman noticed that teenagers to her surprise did not reject the ideals of social equality and redistribution despite their admiration with the USA as consumer paradise. She argued that "social justice and equality remain an ideal to these teenagers despite the fact that most of the basic tenets of official Soviet ideology have been challenged".[687] All of them mentioned that goods from cooperatives were too expensive and of bad quality so,

[683] GARF. f. 10007. op. 1. d. 6. l. 27.

[684] GARF. F. 664. op. 1. D 352. l. 36, 48.

[685] Anders Aslund argues that the young supported cooperatives while the old "unreformed Stalinists" opposed them: Åslund, *Gorbachev's Struggle for Economic Reform,* 172.

[686] Deborah Adelman, *The "Children of Perestroika": Moscow Teenagers Talk about Their Lives and the Future* (M.E. Sharpe, 1991).

[687] Adelman, *The "Children of Perestroika"*.

according to them, cooperators did not deserve their high incomes. 15-year-old Maxim, a student of a culinary college, when asked if *Perestroika* changed his life at all, answered: "The basic thing I noticed about *Perestroika* so far are the cooperatives". He then argued cooperatives led to the emergence of rich and poor in the Soviet Union, which, according to him, should not have existed in a socialist country.[688] 15 year-old Lena, whose dad worked on television, thought that a cooperative was just a new word for something which was recently called "unearned income".[689] Only 16 year-old Ilya (son of a doctor and an economist) thought that "people who earn more than others have the right to live better than others" and "if you want to become rich you simply need to work better".[690] Thus, in their debate about cooperatives, both supporters and critics revealed their views about their ideal image of national prosperity. For coop supporters personal enrichment of entrepreneurs represented one of the conditions of future abundance. For critics, only state restrictions and decrease in inequality were conditions of a just society.

First Soviet Legal Millionaire and the Development of the Cooperatives Debate

Both supporters and critics of the cooperatives often mentioned an emergence of "Soviet millionaires" as a potential result of cooperatives' development. The supporters argued that the emergence of millionaires was a natural process, which was a necessary element of moving towards prosperity. For critics, a potential emergence of millionaires meant the failure of the project; it meant that cooperatives stimulated the growth of

[688] Adelman, *The "Children of Perestroika,"* 149.

[689] Adelman, *The "Children of Perestroika,"* 88-89.

[690] Adelman, *The "Children of Perestroika,"* 124-125.

inequality and "undeserved" income instead of common prosperity. In 1989 the first Soviet legal millionaire from the ranks of cooperators, Artiom Tarasov, finally emerged which made the whole debate around cooperatives even more heated and articulate. There might have been cooperators, who earned millions of rubles earlier, but Tarasov's was the first case when someone's millions' monthly salary was officially registered. Tarasov founded his cooperative, called, first, "*Progress*" and then, "*Tekhnika*", in April 1987. Initially he was a researcher at a research institute in Moscow but as he recalled, his friend who was a black marketeer (*fartsovschik)* suggested they opened a cooperative as soon as it was allowed. First, they made repairs of foreign-made home appliances. Then they started a much more large-scale business, in which they, as most cooperatives, bought raw materials from various Soviet factories, sold them abroad, bought computers and sold them in the Soviet Union to the state enterprises. [691] By 1989 their cooperative had about 1500 employees. When restrictions were set on cooperatives' cash operations as a response to the growing amount of violations, Tarasov was worried his cooperative might have attracted attention of the law enforcement because their whole activity was in cash. Tarasov realized that since the size of cooperators' salaries was not limited, he could have legally paid all the money from his cooperative's bank account as salaries to himself and his deputies and thus get cash he could then use for his operations. So Tarasov set to himself and his deputies a salary of three million rubles each. Since one of his deputies was a Communist Party member, he had to pay Party dues as a percentage of his salary (3%), which he did in January 1989 in the amount of 90 thousands rubles.

[691] Artiom M. Tarasov *Millioner: Ispoved' Pervogo Kapitalista Novoii Rossii*. (Moscow: Vagrius, 2004): 157-173; Interview with Artiom Tarasov, April 24, 2015. Accessed April 8, 2021. https://www.gazeta.ru/business/2015/04/24/kak_razbogatet_v_perestroiku.shtml

"This is how the next day we got inspections from various authorities who wanted to know what was going on," Tarasov later recalled. "They wanted to arrest me for embezzlement on a large scale".[692] What Tarasov did to protect himself was going to journalists (which shows how important the press became during *Perestroika)*. "I went to *Moskovskie Novosti* newspaper and told them I was the first legal Soviet millionaire and was persecuted for that. They wrote about me and I became famous", Tarasov later recalled. Tarasov's story was then covered on TV when he was invited to the most famous *Perestroika* TV show called *Vzgdliad*. The media campaign did help: even though Tarasov's cooperative was closed for further investigation, not only was he not arrested but he was soon able to open a new cooperative called *Istok*, and, as he recalled, he was able "to earn not millions but billions of rubles".[693]

However, the coverage of Tarasov's story was not the same in all of the newspapers. For example, newspaper *Trud* wrote an article called "Where do cooperators' millions come from?", which, as readers' letters showed, resonated a lot with the audience. [694] Vladimir Drach, a lawyer from Moscow, wrote in his letter to the people's deputies in August 1989: "Tarasov claimed there was nothing wrong about buying and selling. But then, why could he not just take a small intermediary's fee as a reward for his work? Why did he want to speculate and earn so much more? The problem is that he appropriated someone else's labor. Maybe under capitalism this is what is called "honest labor". But to be fair, in order to be able to honestly earn millions of rubles

[692] Interview with Artiom Tarasov, April 24, 2015.

[693] Interview with Artiom Tarasov, April 24, 2015.

[694] "Otkuda Milliony u Kooperatorov?" *Trud*, July 13, 1989.

you should be working really hard and Tarasov obviously did not. As long as we still live in a socialist society, this income cannot be called labor income". [695]

In June 1989, on the Congress of People's Deputies (new elected body of Soviet state authority introduced in 1989) cooperatives became an important topic of discussion, especially in the light of Tarasov's story. Several representatives of the All-Union Council of Trade Unions, who were workers from different parts of the country (Urals, Central Russia, Ukraine, Uzbekistan), talked critically about cooperatives.[696] For example, Vladimir Scherbakov, the head of the Moscow branch of the All-Union Council of Trade Unions, in his speech on the Congress, claimed that the activity of cooperators worsened shortages, and strengthened corruption. He asked why despite economic reforms, such as introduction of private enterprise, the living standards of the population kept decreasing, while the earnings of cooperators kept growing. "I wonder, why our economists still support cooperatives instead of sounding the alarm? We are used to blame bureaucracy and stagnation for all of the problems but maybe it is time to ask our economic advisors what they meant when they suggested these reforms?"[697]

In June 1989 in response to Scherbakov's speech a decree of the Supreme Soviet finally increased the tax rate on cooperatives' profit (the tax on cooperative as an organization, which used to be just from 2 to 10%). As opposed to the individual income tax, which was progressive, the tax on cooperative as organization differed depending on the type of activity: its supposed usefulness to the society or ability to produce new goods. The lowest was for those cooperatives, which provided care for the elderly (3%),

[695] GARF. f. 10007. op. 1. d. 6. l. 3-15.

[696] *Pervyii Sjezd Narodnykh Deputatov. Stenograficheskii Otchiot*. vol. 1: 472; vol 2: 62, 177-178, 214.

[697] *Pervyii Sjezd Narodnykh Deputatov. Stenograficheskii Otchiot*. vol. 2: 369-375.

the repair and construction of houses was charged at 15%, production of goods at 30%, retail trade and restaurants at 40%, intermediary services at 60%, all other activity at 40%.[698] The tax was also higher if the number of hired labor workers in the cooperative was more than 30.[699]

The tax increase was interpreted by cooperative supporters as the victory of the conservative forces. Sviatoslav Fiodorov, a famous doctor (who founded a medical cooperative himself) and Nikolay Travkin, a People's deputy, wrote an article in *Literaturnaya Gazeta* newspaper called " So what? Is it the end of the cooperatives?", in which they blamed the authorities for raising taxes and explained this measure would kill them. "As always, our authorities want to redistribute wealth rather than increase it. They think there should be no rich people. But is it better if the wealthy become poor?"[700]

However, the survey polls showed that the number of those who supported the cooperatives kept decreasing. For example, a large survey covering 101,000 people in all of the Soviet republics in all of the main occupations, conducted in January 1990 showed that 15% had a positive attitude towards cooperatives, 29% were hostile, 27% were ambivalent, while the rest were either indifferent or did not know what to think.[701] City dwellers, those with college degrees and those earning more than average tended to support cooperatives more. The results also differed from region to region: in the Baltics and Armenia supporters outnumbered opponents, while the reverse was true of Central Asia and Moldavia. However, even in favorable regions there were not only resentment

[698] A decree of the Supreme Soviet of the RSFSR 06.06.1989; GARF. F. 385. op. 26. d. 781. l. 31.

[699] GARF. F. 385. op. 26. d. 781.

[700] Fiodorov S.N., Trvakin I.I. "Tak chto, konets kooperativam?", *Literaturnaia Gazeta*, June 21, (1989): 2.

[701] Kommersant no. 5, February, (1990): 10, cited in Jones and Moskoff, *Ko-ops,* 103.

against cooperatives but even instances of physical violence. The press reported that taxi drivers working in the state sector in Tallinn in July 1989 physically threatened drivers in a thriving taxi cooperative. In Novyi Uzen in Kazakhstan in 1989 there was an attack in which 27 cooperatives were destroyed and eleven workers were killed; in the Turkmen city of Nebit-Dag in another attack seventeen cooperatives were set on fire in May 1989. [702]

The anti-cooperative movement now led by the Trade Unions was seen by cooperative supporters as populism. On October 23, 1989 Anatoly Cherniaev, Gorbachev's advisor, wrote in his diary: "The working class is raising its head dangerously. It is being led by members of professional unions and regional committee party bosses, who understood that the only way for them to save their positions at the upcoming elections is through double-dyed populism and demagoguery aimed at the very top. The meetings of different "workers' fronts" are conducted under the slogans: "Give us Marxism-Leninism," and "Perestroika the socialist way, not the capitalist way!" etc. [703] In anti-Perestroika rallies organized in 1989, the issue of cooperatives indeed played a big role. For example, in a rally, organized by the Trade Unions in Moscow in the summer 1989, most popular slogans were "Down with Cooperatives, Plunderers of the People!," "It's Time To Investigate Those Who Thought Up Cooperatives," "We Do Not Need a Government Which Supports the Profiteering Cooperative Movement".[704]

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[702] Jones and Moskoff, *Ko-Ops*, 105.

[703] Anatoly Cherniaev, *The Diary of Anatoly S. Chernyaev 1989*, 1989. Accessed April 8, 2022. https://nsarchive2.gwu.edu/NSAEBB/NSAEBB275/1989%20for%20posting.pdf.

[704] *Ogoniok* no. 44, (1989): 6.

Despite anti-cooperative feelings though, in May 1990 *VTsIOM*, The All-Union Center for the Study of Public Opinion", a first independent Soviet polling institution, made a survey about the transition to market economy which showed that 56% of the population approved the transition.[705] This was most likely explained by the desire of change and declared "devaluation" and inefficiency of socialism but did not mean people necessarily wanted unrestricted private enterprise.[706] After that the market reforms became radical, and especially after the fall of the Soviet Union, material inequality and poverty grew further while people's resentment against it was still dismissed as "conservative"[707].

Conclusion

When Mikhail Gorbachev came to power in the Soviet Union in 1985, many shared an opinion that the country was in the state of political, economic and social crisis. Many problems were blamed on the "stagnation" of the 1970s, on the inefficiencies of the planned economy and over-bureaucratization. Many reformers saw private initiative, including that in the economic sphere, as a solution. However, their opponents were worried that the emphasis on private interest might have led to violations and growing

[705] Otchiot VtSIOM: Otnoshenie naseleniia k vozmozhnosti uskorennogo perekhoda k rynochnoii ekonomike. 22 maia 1990 goda. GARF. F. 5446. op. 162. d. 2. l. 225. Cited in M.F. Polynov and E.A. Tarasova, "Perekhod k Rynochnoi Ekonomike v SSSR v Gody Perestroiki: Bor'ba Za Sozdanie Kontsepsii. 1989-1991 Gg.," *Noveiishaia Istoria Rossii*, no. 1 (2017): 113–127.

[706] As Stephen Kotkin notes, "Most ordinary people had anticipated the onset of American-style affluence, combined with European-style social welfare. After all, these were the rosy images of the outside world, transmitted by glasnost, which had helped destroy what was left of their allegiance to socialism". Kotkin, *Armageddon Averted,* 115.

[707] See more in Vladimir Shlapentokh, "Social Inequality in Post-Communist Russia: The Attitudes of the Political Elite and the Masses (1991-1998)," *Europe-Asia Studies* 51, no. 7 (1999): 1167–1181.

inequality and called for state restrictions. Many of the reformers though thought that market was a "natural" state of things, while planned economy was "unnatural" deviation and they wanted Russia to go back to the "right" path[708]. One of the major *Perestroika* economic reforms created cooperatives, private enterprises not restricted by the state in their activity. Cooperators were encouraged to enrich themselves and the very fact of their enrichment was seen by some of the reformers as leading to "healthy economy". Even after it became clear that cooperatives did not contribute to public good but rather brought about violations and increased inequality, cooperative supporters still argued they were beneficial. Many citizens believed that uncontrolled market reforms led to inequality and opposed them. Their position, however, was never taken seriously and was dismissed as "conservative" and "populist".

It is usually argued that socialism in the Soviet Union was discredited by the beginning of Gorbachev's reforms and the reforms themselves (unintentionally) discredited it completely. This is often believed to be one of the reasons of the Soviet collapse. However as we saw from this chapter, ideas about social justice and material equality not only survived but perhaps even gained more popularity during *Perestroika*. People might have agreed that Brezhnev's stagnation was disastrous and they might not have trusted the Communist Party anymore, but it did not mean they advocated for the uncontrolled market. As a result of *Perestroika* reforms, including the introduction of

[708] On "naturalization" of the market see: Olessia Kirchik, *Istoria kak ekonomika, ili Puteshestvie iz 1921-go v 1906-j cherez 1990-j.* vol 1 (Novoe literaturnoe obozrenie, 2007). As a few scholars have noted, both camps were similar in their idealism. Both sides used the term "morality" to explain why their suggested path was better and both sides argued that their suggested reforms were a path to an ideal society. On the teleological element in both camps see: Joachim Zweynert, "Economic Ideas and Institutional Change: Evidence from Soviet Economic Debates 1987–1991," *Europe-Asia Studies* 58, no. 2 (2006): 169–192. On morality as a key term: Guillaume Sauvé, "The Apogee of Soviet Political Romanticism: Projects for Moral Renewal in Early Perestroika (1985–1989)," *Europe-Asia Studies* 70, no. 9 (2018): 1407–1432.

cooperatives, which increased material inequality, a lot of Soviet people gave perhaps even more credit to socialist ideas than before. However, despite people's concerns about social justice, market reforms became more radical, and increased social stratification even further.

Conclusion

This dissertation explored the ethical dilemma associated with personal wealth in the late Soviet Union. Historically, the socialist project emphasized the importance of social equality, the priority of public over private, and the futility of luxury. In the Soviet Union, personal wealth had usually been remuneration from the state for contributing to the common cause and for loyalty to the regime. However, in the late Soviet period, I show that financial affluence increasingly became the fruit of illegal market activity. Because of the growing consumer demand and low state-fixed prices of the centralized retail system, people who had access to sought-after goods or skills to provide services were able to charge high prices to their own profit and grow rich. Thus, paradoxically, those who engaged in illegal and morally-condemned activity became a veritable Soviet upper class. This social change, I argue, was perceived as new opportunities by some, and a sign of profound moral crisis by others. By looking at how Soviet officials, experts, and ordinary people discussed this evolution of social hierarchy and how they interpreted "honest" labor and "unearned" income, my dissertation explores the ways in which people in the late Soviet Union tried to find the meaning of true socialism.

To tell this story I used a variety of archival documents from Russian, Ukrainian and Georgian archives, as well as Soviet press publications, works of fiction and film, memoirs and oral interviews. Chronologically, the story begins by analyzing classic Stalinist class disparities, with the low living standards of the broader population, and the lavish lifestyles of the Party, state, cultural, and academic elite. I then show how this system was challenged in the late 1950s and early 1960s by Nikita Khrushchev's

campaign against economic inequality. This campaign included heavy cuts to the salaries and perks of the higher ups, as well as raising the well-being for the masses, including a radical increase of minimum wages and pensions, expansion of housing construction, and increased production of consumer goods. Other aspect of this campaign was the battle against "unearned income." i.e. prosecution of private enterprise. I show that this attack was not imposed from above, but was rather a result of negotiations between leadership and citizens, who had their own strong ideas about what constituted honest labor and deserved income. The period of the 1970s was both continuation and disruption of the previous era's policies. As people became accustomed to higher standards of living—and as the planned economy proved unable to meet their materials needs and demands—a robust black market developed. Because the entrepreneurs in these markets filled legitimate needs of the state, they often went unpunished and accumulated significant wealth, becoming a new Soviet upper class. People engaged in illegal economic activity, by providing Soviet citizens with all manner of goods either stolen from the state retail trade or produced underground or illegally imported. Some of the rural dwellers grew rich by growing fruits or flowers or breeding cows and even minks on their private plots. A measure taken by the government in order to extract excess cash accumulated by these newly wealthy was a series of radical rises of the state-fixed retail prices for luxuries such as rugs, crystalware, furs and cars in 1977-1981. For the broader population, as I show, this measure only spotlighted the existence of this wealthy group and social injustice thus increasing social tensions. Although the majority of Soviet citizens shopped on the black and farm markets, a lot of them still condemned the enrichment of the private dealers and their ostensibly luxurious lifestyle, which differed from the "well-deserved" privileges of

the state elite. People tried to defend basic socialist principles by criticizing free market prices, by juxtaposing the amount of labor with the amount of profit, and by problematizing material inequality in general. This story ends by analyzing the discussions around *Perestroika* reforms of the late 1980s, which made private business legal and thus expanded inequality even further. On the eve of the fall of the Soviet system, the questions of whether there should be a limit on people's earnings, and of what constituted "honest labor" became even more relevant than ever before.

My research is devoted to understanding how Soviet citizens interpreted material inequality and social justice. I combine cultural history, social history, and economic history, to analyze how socialist practices were similar to and different from those under capitalism and how Soviet leaders, experts and ordinary people understood socialism in the late Soviet years.

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