Bye Bye Boris?

From January the long-awaited reform package aimed at transforming the Commonwealth of Independent States (CIS) into a market economy began to be implemented in the Republics of Russia, Belarus and Ukraine.

The hasty nature of the price reform and the fact that the other two necessary elements of the reform ‘troika’, stabilisation and privatisation, are to follow only after a long wait, makes its chances of success, from a purely economic point of view, small. The intention of the price increases of 1 January was to introduce a ‘demand’ side reform into the economy: to replace a distribution system based on low prices, goods shortages and queuing with a rationing system based on prices. The ‘rouble overhang’ of personal savings, which gobbled up any and all consumer goods which appeared on shop shelves, was to be reduced so that producers could respond rationally to changing prices and hence personal demand.

Now the queues are reduced and people’s savings are daily diminishing. The wide differential between state stores and private markets has been drastically reduced. However, because no supply-side reform (privatisation) program, or accompanying stabilisation program, have been introduced, nothing has been done to alter the monopoly position of state enterprises producing for the public. For many goods, therefore, supply remains inelastic—that is, unresponsive to change in price. The predictable result of the reform has been an improvement on balance sheets, not in production. Meanwhile, the war economy configuration of production continues, consumer production remains the same small increment of total production, and standards of living remain miserable. A planned stabilisation program was supposed to iron over problems of transition by artificially introducing the spirit of competition into the economy with massive state-subsidised imports of western consumer goods. Such a program is, Boris Yeltsin stated recently, still at least six months away.

The impact of the price hikes to Russians, in psychological and practical terms, can scarcely be overestimated. Gas, rent and electricity have increased by a factor of three. Basic staples increased in price two or three times or more between December and January, and most manufactured goods are now well beyond the reach of Russian rouble-earners. To give a few examples. The price of a kilo of salami rose from 3.6 roubles a year ago to 24R in December and then again to 75 roubles in January. The price of ten eggs rose from 1.4 R to 9R and then to 20R, while Yeltsin and Gorbachev now receive official salaries of 4,000R per month; the average working wage is around 650R per month; while Yeltsin and Gorbachev now receive official salaries of 4,000R per month; while Yeltsin and Gorbachev now receive official salaries of 4,000R per month (plus many perks). Thus a pensioner theoretically could use up his or her entire monthly pension in buying six chickens or six bottles of vodka. In reality there are some mitigating factors. First, most Soviet citizens do have substantial rouble savings. Second, most households possess a considerable stock (zapas) of hoarded staples. Third, relatives from outside Moscow and supplies from personal dachas provide some relief.

Nevertheless reserves of roubles and supplies cannot last forever—or can vegetables harvested six months ago. The real bite on living standards is likely to come over the next two months, by which time these forms of personal insurance will have been stripped away. If by then the current relationship of wages to prices remains unchanged hunger will, perforce, become widespread. If Yeltsin can deliver on stabilisation in June the cheap goods are likely to be snapped up by those few with roubles, and sold back to poorer unfortunates at a higher price (a similar process is going on with foreign food aid now). Already life is daily becoming tougher, more unpleasant. The tension on the Moscow streets, in shops and in food queues is palpable, occasionally erupting into shouting matches and, in one recent case in Siberia, some deaths.

Since the radical Albalkin plan was mooted two years ago the Soviet press has discussed exhaustively the reasons why a price reform simply could not work without the supporting planks of privatisation and stabilisation. Yeltsin led protests against Gorbachev’s price increase proposals on the grounds that they would simply inject new life into a failed economic mechanism at the expense of ordinary people’s living standards. Thanks to the intensive media debate of recent years the general public comprehends very well the idiocy of this solitary action in the absence of other supporting policies. In response a witch hunt for scapegoats to explain the extraordinary policy of implementing crushing price increases into an unreformed economy is daily conducted in the Soviet press. Geidar, Yeltsin’s deputy prime minister, has occasionally
The fascination surrounding Yeltsin is thus to some extent a smokescreen which shrouds the damaging activity of the Russian business class. Unimpeded by communist—or any other kind of—controls, and devoid of any Tory ruling class type conscience, entrepreneurs are well placed to take advantage of the current political turmoil. This new breed ranges from Moscow Mayor Gavril Popov, an academic five years ago and now one of the wealthiest men in Russia, to the sons of old communists who recently purchased Moscow TV facilities at bargain basement prices, to the state employee flogging stolen beer off the back of a truck. For them, the existing profit extracted from the illogicalities of the hopelessly corrupt mixed command-market system is at least as good as anything a properly functioning market could offer.

For all that was written of the flowering of civil society under perestroika, the Soviet polity remains behaviourally a subject culture and a prime target for manipulation by self-interested elites. While as individuals Russians impress with their education and sophisticated culture, the legacy of communism weighs heavily against their effective, collective, political action. For seven long decades of Soviet power, Russians had heard promises, hoped for improvements, and been disappointed. Perestroika accelerated the process, and married it to a steady deterioration in living standards. Right now, Russians are absorbed in the hardy trivial question of day-to-day survival. The evidence of apathy is clear in the current popularity of inward-looking or past glorifying pastimes—anything rather than face the present. Theatres are playing to packed houses, depression fodder: Noel Coward and Oscar Wilde comedies, or solid pre-revolutionary pieces. Soft porn and detective novels are for sale at every metro, and religion, in particular Hare Krishna, is drawing many new converts.

Of course, discussing politics remains a favourite Russian pastime and their grasp of it would surely put most Australians to shame. Beyond chatter there are, however, no unifying ideas to rival the rallying cry of the democrats prior to August: 'Let's destroy Communism'. Political action is a luxury reserved for a small number of committed intellectuals. In a society thoroughly atomised by Communism, people's outlooks have become by necessity very parochial. The unit of identification here is not of class, or region, but the clan: that small group of contacts, family and friends, whom one must cultivate and trust to get by here. Wider identification may well develop over time though, one suspects, not via the importation of foreign notions of multi-party democracy, but through the harsh school of exploitation.

It is thus only within this constellation of forces in today's Russia—of politicians who regard political office as meal tickets, emerging capitalists operating untramelled by government authority or public opinion, and a still largely homogeneous, passive, polity—that we can profitably examine the question of Yeltsin's political future. Which begs the question; if Yeltsin goes, who cares?

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