Last July I touched down again at Sheremtvyovo airport after an absence of two years. When I had been there previously I watched the Communist Party floundering hopelessly at its last Congress trying to come to terms with the forces unleashed by Gorbachev’s reforms. A little over a year later, in August 1991, there was the failed coup, and by January 1992 the Soviet Union was no more.

What follows is not an account of the political manoeuvrings that took place last year in Russia. It is not about dramatic battles between president and congress for the future of the reforms. With two days of my arrival it was obvious this was not the real story. What really counted was what was happening to everyday Russian life.

At the beginning of 1992, under Yeltsin’s reformers, shock therapy was to be the order of the day. Broadly speaking this was to be a consistent application of the free market canon: free prices, tight money, privatisation, deregulation and an emphasis on consumption taxes rather than income tax as a basis for revenue. Of these, free prices, deregulation and the consumption tax could be said to have got off to a flying start. Prices on nearly everything except some basic food items, energy and housing rose by over 600% in January and February. After that inflation settled in at between 12 and 18% a month.

The VAT, despite the opportunities for avoidance in an almost entirely cash economy, showed promising returns and deregulation was the general rule no matter what the law might say. Tight money was, to torture the phrase, in somewhat shorter supply. The government offered wage and benefit compensations of around half the price rises. As a result of all this inflation exploded and one American dollar, which had bought 12 roubles on the market in 1990 was buying 160 in July 1992.

These are the sorts of facts which have filled Russian and Western papers since last year. When I arrived in Moscow I expected to see a city more run down than it was in 1990 (and it was bad then), full of destitute and increasingly disillusioned people, surrounded by crime and on the verge of famine. There was some truth in this picture but it was full of falsehood too. Muscovites were a long way from being the total victims media pictures crave. So what was really happening in Russia?

The dreadful economic upheavals caused by the twin evils of a system in collapse and an economic reform program in which it often seemed that faith was the main element, certainly existed. But running counter to these were a number of factors which meant that, while there were plainly large differences between the Moscow of 1990 and that of 1992, there was also a surprising similarity.

The political and economic processes conditioning people’s lives in Russia are obviously very different now than they were two years ago. The market has arrived at the centre of social life and the system of economics has begun to take over from the system of politics as the primary power in people’s lives. These two occurrences, some...
might recall, were considered by Marx as the most definitive aspects of the historical shift from feudalism to capitalism. Russians no longer needed extended search networks to find most consumer goods, influence or favours are no longer necessary when seeking that special item. The problem of how to meet basic needs has been reduced to a problem of cost. Shelves formerly empty now boast, by Russian standards, a wide variety of goods. The Western economic law of demand and supply passed its first post-communist test with flying colours.

But, of course, the fact that cost has been simplified doesn’t mean it isn’t high. In fact, the monopoly nature of most production in the old Soviet system means that without privatisation and/or massive Western business penetration prices go up and have no incentive to come down. The key problems of the old command economy were how to get equilibrium between production and consumption and how to encourage efficiency. Price reform helped the first but has done little for the latter. In the current situation, most Russian firms will respond to cost problems with price rises. This works for many in the short term but makes it even more probable that they will eventually go to the bankruptcy wall when either the state or the world market gets around to erecting it in the shape of competition and/or a limit on credit. In the case of prices the market isn’t operating at all as the model demands.

Added to the financial cost is the psychological cost of despair. Russians face seeing goods they used to be able to buy now barely within their economic reach and goods they used to have to chase, but with some likelihood of obtaining them, priced well beyond their meagre purses. Prices for the most part are still very low by world standards but being told that a kilo of cheese at US$1.50 is a bargain is an insult to someone on US$10 a month.

Of course, the other side of the coin is that a small minority of Russians are growing very rich. Some are simply rich in Russian terms (making US$100 to US$500 a month), others have become rich in world terms, often via manipulation of the disparity in prices. These new rich, some criminal, some simply immoral and some honest, seem to like flaunting their wealth as they ride about in luxury Western cars, build new homes and go to the new restaurants where the cost of a main course is equal to two months’ worth of pension cheques.

A rapid and very visible increase in inequality and a high level of social mobility are key trends in contemporary Russian society. Money is now rapidly supplanting privilege as the source of social hierarchy. In other words, here comes the class system.

So far all this accords more or less with the impression we get through the western media. However, there is more to it than that. Judging by the figures for inflation, mortality rates or production (down over 17% by year’s end) life should have become a complete catastrophe. Yet what struck me was how the Russians were surviving on a day-to-day basis despite the hardship. How is this so?

First, the initial punch of the reforms was absorbed by the ordinary Russian’s existing defence mechanisms. Russians, by nature of an economic system revolving around shortage, are great hoarders. Most Russians I spoke to regarding economic problems would frown and then smile wearily and make some reference to their ‘stores’. Stores refers not just to food, though the number of pickling bottles in a Russian flat has to be seen to be believed, not to mention what’s growing on the balcony, but also to all sorts of other household items from fuse wire to extra socks. Thus the inflation was not going to reveal itself fully in people’s lives until these stores were exhausted. However, eight months after the initial freeing of prices, it was obvious that this was starting to happen.

Second, the economy has not yet been completely freed. There are still protected areas and these have been crucial to the maintenance of some semblance of ordinary life. Energy, housing and transportation have been far less affected by price rises than food and clothing. In many cases their prices have hardly risen at all. Thus, the actual cut in the Russian standard of living was to some extent hidden and, more pertinently, delayed.

The third contributing factor was the preservation of employment. Unemployment still remains negligible by western standards, although so do wages. This is a by-product of the dispute between the conservatives of the military industrial complex and Yeltsin’s free marketeers, which the conservatives have so far won. To put it bluntly, major Russian enterprises are still protected from bankruptcy by a continual extension of credit. This in turn means that the free market in labour, in its truest sense, has not yet arrived. Instead, Russians continue to work for tiny pay packets and then look around for other sources of income to supplement them. It’s a situation of hardship but politically and psychologically less explosive than massive unemployment. At the very least some routine and a measure of self-respect have been maintained.

A fourth mitigating circumstance was the level and ingenuity of petty trading. Its scale meant that for food at least there were some indications of market forces at work. Prices never actually went down as far as one could make out (hardly surprising given the Central Bank’s out-
put of money over the period) but competitive shopping was possible, particularly for plentiful items such as eggplant and tomatoes. The market traders, plus the new kioski (the young men and women selling all manner of goods from plywood kiosks which sprouted up everywhere in lieu of shop privatization), did appear to offer some slim hope of an 'organic' market springing to life. All of this meant that, while the economy and, perhaps more importantly, people's way of life were collapsing, it was to some extent hidden from view.

Out of the above picture two important conclusions can be drawn. First, most Russians' survival so far has been based on delaying tactics. As the 'stores' ran out, many were sinking to the bottom. Furthermore, if the conservatives had not put a brake on the reform process, the move to free housing and energy prices would have rapidly moved the population over the edge into destitution. The Russians are still sliding towards a cliff, they just have a little more time than we thought. But more and more real victims are appearing.

Because of the particular nature of the Russian economy, inflation has taken very specific victims. These are most especially the old and the sick whom one now finds begging all around Moscow. The more enterprising and stronger old people stand in vodka, beer and tobacco queues at state shops. They buy cheap in the morning to sell at the market at twice the price in the afternoon. From their clothing and their demeanour you could hardly label them as 'speculators'; rather, such behaviour is an absolute necessity to supplement their meagre pension cheques. Nearly all Russians I spoke to were shocked, saddened and humiliated by this. Moreover, impoverishment is such behaviour is an absolute necessity to supplement their meagre pension cheques. Nearly all Russians I spoke to were shocked, saddened and humiliated by this. Moreover, impoverishment is compounded in Russia as compared to Third World economies hit by similar processes, because Russian families are very small. The extended family, so crucial to individual survival during the brutal period of capitalist modernisation, has been severely weakened in Russia by communist modernisation.

Another group suffering to a much lesser degree, but politically more significant, are state servants not involved in direct production. These people, including intellectuals, who previously enjoyed a middle to upper-middle class lifestyle, are now being catapulted into the ranks of the impoverished and have long-term unemployment staring them in the face. Often all they have left of their former lifestyle are ageing cars, some pleasant furniture and their books — and, of course, a relatively comfortable flat which they will probably have to sell to some young new entrepreneur-cum-mafioso to ensure an old age free from begging. Surprisingly, most intellectuals I spoke to had not turned against the reforms but I could detect a certain bitterness which was perhaps pushing them towards a more apolitical position. They are certainly less likely to rally to the barricades if the tanks come again.

Those coping best with the changes are, not surprisingly, the young. Students are abandoning their studies to get into business. Most popular among the more educated are kioski, services for tourists, currency speculation and import-export deals. It was quite incredible how many young men I spoke to had a trip to the Chinese border planned. The less educated are also in business, engaged in petty commodity production, simple buying and selling or running speculative or gambling rorts of one type or another.

Politically, nearly all Russians have been shifted into a sort of ideological limbo. The debates about reform, democracy and constitution have an increasingly abstract and surreal quality when viewed from the street. At the same time, enough of the old way of life persists to make tangible change towards the imagined utopia of the West seem very far away for most people. The main certainties are that life will become more difficult and more uncertain. Nearly all Russians, except the new rich and the old apparatchiks, are under massive psychological pressure. Planning for the future now consists of what might be possible next week or even by the end of the month. To plan any further than this, let alone for one's children, is impossible.

In such a situation complete despair is a real possibility and I suspect for many is already a reality. If the Russian economy does go over the edge, either by inflation or unemployment, a political disaster could result. A massive outpouring of anger could find expression through the politics of either the Left or Right (the communists and nationalists, perhaps anticipating this, are already in coalition). Or a retreat to complete political nihilism could allow in any variety of fierce authoritarianism.

On the positive side of this grim picture the resilience, decency and dignity of ordinary Russians facing this terrible confusion should also be recognised. Despite the marked absence of law and order enforcement, most people live and treat one another as if it still existed. In lieu of family, friends anxiously watch out for one another; everyone talks about the breakdown of society but very few can be observed actually carrying it out. This basic decency may yet be the saving of the democratic society. Finding the means to deal with the forces unleashed by the reform process remains crucial. But for the person in the street they are perhaps even further away than at the beginning of 1992.

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