MUDDLING THROUGH

by Blair A. Ruble

About the time that the first McDonald's fast-food stand started selling hamburgers outside Chicago in 1955, a potential competitor named Hubie's opened in Dobbs Ferry, New York. Hubie's was a fully automated "hamburger machine." At one end, attendants fed in ground beef, rolls, cheese, pickles, and ketchup; at the other end, hot hamburgers emerged to slide onto the plates of waiting stand-up diners.

But even the best-laid plans go awry, and Hubie's plans were flawed: The meat patties were not uniform in size, and so some fell into the fire; slow-ups on the conveyor belt resulted in buns toasted black; bits of melting cheese dripped onto vital cogs and bearings; and ready-to-go burgers slid not onto the customers' plates but onto their shoes. Rather than admitting failure and abandoning their "futuristic" system, Hubie's executives hired extra workers to supervise matters, and even put a few cooks in the back room to supplement the defective machine's output. Yet such expedients finally proved futile. The customers stayed away in droves. Hubie's soon went the way not of McDonald's but of another contemporary, the Edsel.

The Soviet economy—rigidly organized, overly complex, and less than a boon to consumers—is not unlike Hubie's hamburger stand. But the USSR is not the USA. If Hubie's had opened in Moscow, it would probably still be in business, since it would be a state-run monopoly. Muscovites craving fast food would have no alternative.

In short, there is more than one way to sell hamburgers or organize an economy. The Russians have no word for "efficient," but when their leaders decide to give one goal top priority, they can be *effective,* as when, during the early 1960s, the Soviet government decided to achieve strategic parity with the United States.

This distinction is often overlooked. Led astray by the Soviets' decidedly different methods, Western observers of the USSR have repeatedly concluded that a Soviet economic breakdown was at hand. When the First Five-Year Plan was promulgated in 1928, for example, Western specialists warned that the heavy

From Antologia del Krokodil. © 1979 by Casa Editrice Roberto Napoleone, Italy.

"Here's proof," a devious foreman tells a visiting bureaucrat, "the tractors are ready, and are heading for the fields." Improvisation on the farm and in factories is a frequent subject of Soviet cartoons.

loads of freight and frequent usage stipulated by the plan would bend the tracks and ruin the roadbeds of the Soviet railway network. Yet the system endured. Indeed, the Soviets got along with only one main east-west railway line—the Trans-Siberian Railroad—until 1974, when construction of the Baikal-Amur Mainline, or BAM, resumed after a two-decade hiatus.

Today, Western specialists variously see looming crises in Soviet energy, manpower and productivity, and agriculture. One must treat their forecasts with a certain prudence.

It is easy to poke fun at the Soviets. With a per capita gross national product (GNP) lower than Italy's, the Soviet economic performance is still far from Nikita Khrushchev's old goal of overtaking the United States by 1980. Indeed, Soviet trade patterns—that is, exporting oil and importing technology and food—resemble those of a resource-rich developing nation such as Saudi Arabia more than those of the United States.

The Kremlin's hopes for the Soviet economy are embodied in a five-year plan, which (officially, at least) is treated with veneration. Billboards, newspapers, and television programs endlessly repeat official incantations such as "Fullfill on time the tasks of the Five-Year Plan." This is the way it works: Before the outset of each planning period, *Gosplan*, the national state planning agency, draws up a schedule of long-term goals and distributes it to every industrial enterprise throughout the USSR. Each manager, from the smallest provincial factory on up, reviews the proposals and passes a response up the administrative ladder to the next highest industry level. There it is coordinated with similar proposals and consolidated into a new united plan. By this process, plans, as they grow in scope, wend their way through the bureaucracy until they finally reach the national planning headquarters in Moscow, where *Gosplan* prepares the ultimate five-year plan for the nation.

Bitter Cold and Crumbling Coal

A Communist Party Congress and the USSR Supreme Soviet then approve the plan. Thus ratified, the plan puts managers who fail to follow it in violation of national statutes; as journalist Hedrick Smith observed, the plan comes close to being "the fundamental law of the land." The fundamental flaw in the plan is that it is "finalized" in Moscow but largely implemented at the local level, so the officials who set each factory's targets are not the people who have to meet them.

The new plan that comes before the 26th Communist Party Congress, scheduled to convene in February 1981, will have to deal with the usual strains resulting from poor agricultural performance and heavy military spending (which Western analysts estimate to account for at least 8 and perhaps as much as 18 percent of the GNP, versus U.S. figures of about 13 percent in 1954 and 5 percent in 1979). In effect, the Kremlin has been imposing what strikes many Westerners as a perpetual gray wartime austerity, with top priority given to military needs. But Soviet leaders will also confront difficulties unimagined a decade ago: If Western specialists are correct, the 1980s, for the Soviets, will be a time of a shifting labor supply, declining productivity, and energy shortages. *Gosplan* will, in one way or another, have to "solve" those problems.

That the Soviet Union could come up short in energy is perhaps the biggest surprise. During the 1970s, the USSR became the world's largest oil producer, pumping 11.7 million barrels a day in 1979. (In second place was Saudi Arabia with a 1979 daily

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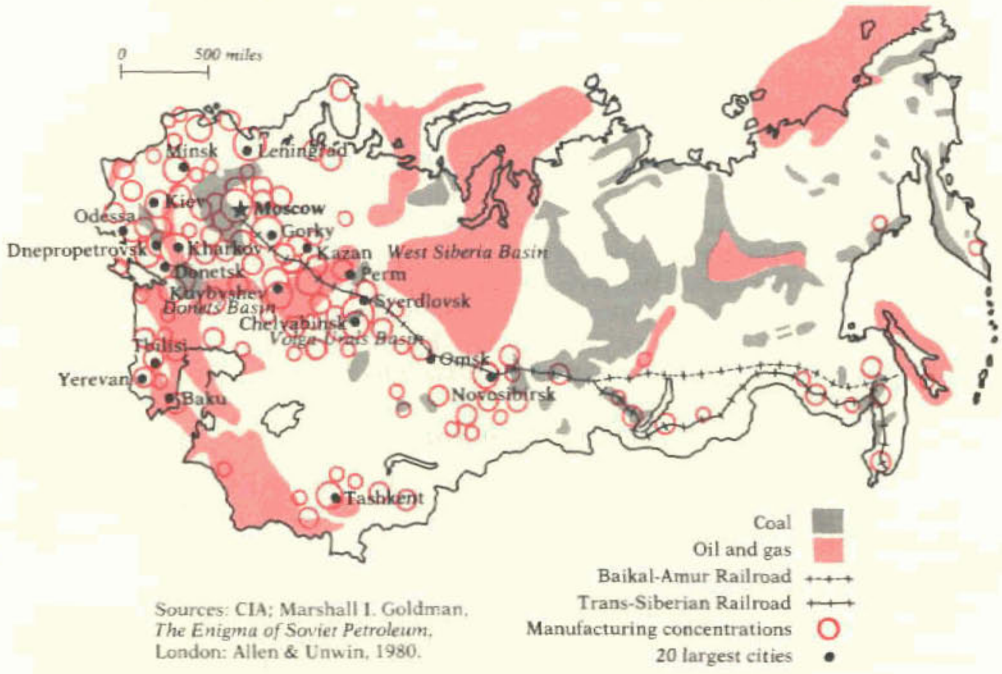
Blair A. Ruble, 31, is a research associate at the Wilson Center's Kennan Institute for Advanced Russian Studies. Born in Beacon, N.Y., he received his B.A. from the University of North Carolina at Chapel Hill (1971) and his M.A. (1973) and Ph.D. (1977) in political science from the University of Toronto. He is coeditor of Industrial Labor in the USSR *(1979, with Arcadius Kahan) and author of* Soviet Trade Unions *(forthcoming.).*

THE USSR: ENERGY IN THE EAST, USERS IN THE WEST



Sources: CIA; Marshall I. Goldman, *The Enigma of Soviet Petroleum*, London: Allen & Unwin, 1980.

average of about 9 million barrels.) Through sheer volume of production, the USSR manages to be both the world's second largest oil consumer (after the United States) *and* exporter (after the Saudis). Since 1977, oil exports—to such Western countries as Italy, West Germany, and France—have accounted for more than half of all Soviet hard currency earnings.

Yet throughout the 1970s, Western analysts—most notably those employed by the U.S. Central Intelligence Agency—maintained that the Soviets were facing an energy crunch. Production in the giant Samotlor oil fields in Siberia, which account for a quarter of the Soviet total, was said to be leveling off. Other energy sources were thought to hold out little hope. The famous coal fields of the Donets Basin, in the Ukraine, were reportedly petering out after more than a century of mining. The ambitious nuclear power program has fallen well behind schedule, and today less than 4 percent of Soviet energy comes from atomic power—among other things, putting it behind firewood as a home heating source.

Moreover, these analysts noted, most of the Soviet Union's fossil fuel reserves lie in Siberia, while some 80 percent of Soviet energy is consumed in the European part of the USSR. With its brief, blazing summers, and prolonged, bitterly cold winters, Siberia is a difficult area to exploit. The expense of laying an oil pipeline across the USSR could far exceed that of constructing the Alaska pipeline, which cost $8 billion and was built with sophisticated technology still unavailable in the USSR. Siberian coal, with its tendency to crumble and self-ignite when exposed to air, is of a far lower quality than that now mined in the European USSR, and coal transportation costs are generally 10 times those of oil. Those who predict a Soviet energy crunch argue that even an advanced Western nation such as France or West Germany would be hard put to conquer such problems, and that the Soviets will be further encumbered by their clumsy planning, lackluster management, and low-grade technology.

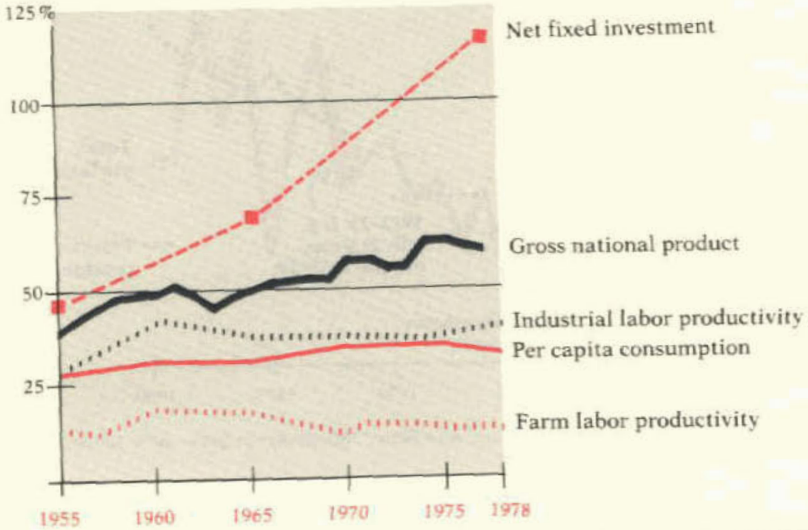
A Contrary Argument

Yet other Western specialists, most notably Harvard economist Marshall Goldman, have pointed out that at one time CIA experts told us that Soviet petroleum exports would begin tapering off in 1975. When that didn't happen, they changed their prediction to 1976, and then 1978, and more recently 1979 and 1980. In 1977, the CIA predicted that Soviet oil production would peak in 1981, with the output for Siberia stabilizing at around 5 million barrels per day. Siberian oil fields are now producing 6 million a day.

Goldman finds little reason to start agreeing with the CIA now. First, he says, the very fact that Soviet prospecting technology is so outmoded means that much of the USSR (unlike the United States) remains unexplored. Second, the CIA has overlooked possible Soviet offshore deposits in the Pacific and Arctic Oceans as well as in the Caspian Sea. Third, the Soviets could benefit from conservation measures: Soviet factories currently use as much energy as their American counterparts but produce only three-quarters the volume of goods. Fourth, the CIA has given short shrift to Soviet natural gas reserves, estimated to be 40 percent of the world total. Gas could soon replace oil at home; the bulk of Soviet energy consumption takes place in stationary boilers and furnaces, thus easing a switchover from oil to gas. Gas could also replace oil as an export, if yet another Soviet–West European pipeline is constructed, as now appears likely. Furthermore, the Soviet commitment to nuclear energy is firm, and untroubled by environmentalists' lawsuits and "anti-nuke" demonstrations. The "Atommash" factory at Volgo-

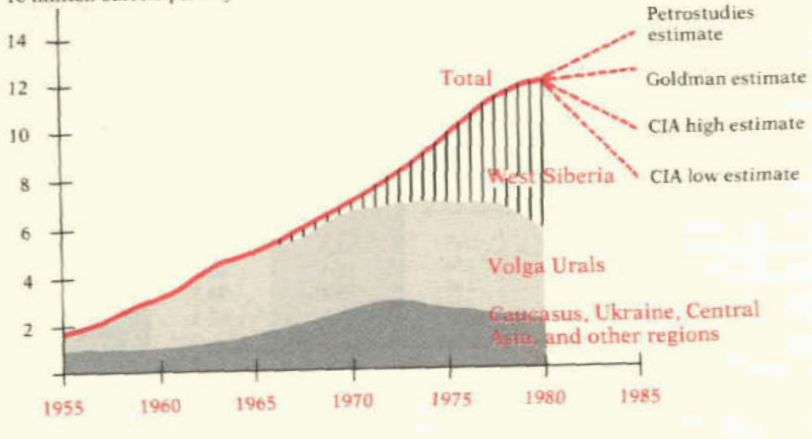
SOVIET ECONOMIC PERFORMANCE

as percentage of U.S. performance (100%)



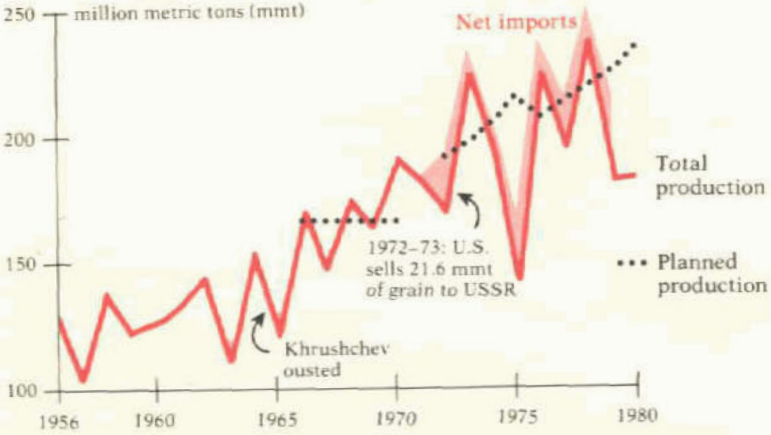
Source: CIA; Gertrude Schroeder; Stanley Cohn; Imogene Edwards, Margaret Hughes, and James Noren, "U.S. and U.S.S.R.: Comparisons of GNP," in *Soviet Economy in a Time of Change*, Joint Economic Committee, U.S. Congress, 1979.

SOVIET OIL: PRODUCTION AND PREDICTIONS



Source: CIA; Marshall I. Goldman; Petrostudies, "Soviet Preparations for Major Boost of Oil Exports," Malmo, Sweden: Petrostudies Co., 1978.

SOVIET GRAIN: GOALS, PRODUCTION, IMPORTS



Source: U.S. Department of Agriculture; Alec Nove, "Soviet Agriculture under Brezhnev," *Slavic Review*, September 1970, p. 406.

SOCIAL INDICATORS

		USSR	ITALY	USA
Per capita GNP[1] (in 1979 dollars)	1951	$1,820	$1,883	$ 6,157
	1961	2,870	3,127	6,802
	1971	4,260	4,654	8,847
	1977	5,070	5,325	10,224
Per capita meat consumption[2] (kg)	1951	26.0[3]	16.5	74.4
	1961	39.0	30.7	89.7
	1971	50.0	56.7	109.1
	1977	56.0	64.7	112.0
Infant mortality (per 1,000 live births)[4]	1951	84.0	67.0	28.4
	1961	32.2	40.7	25.3
	1971	22.9	28.3	19.1
	1977	31.5[5]	17.6	14.1

[1]Italian figures are gross domestic product. Italian GDP approximately equals GNP. [2]In carcass weight. [3]1950 figure. [4]Soviet data exclude infant losses within one week of delivery. [5]1976 estimate.

Sources: International Monetary Fund; CIA; U.S. Department of Agriculture; Government of Italy; U.S. Department of Health and Human Services; United Nations; B. R. Mitchell, *European Historical Statistics 1750–1970*, New York, 1975; U.S. Bureau of the Census.

donsk will soon start turning out 8 to 10 reactors a year. Thus, Soviet energy difficulties are not insurmountable.

In its lagging industrial productivity, the Soviet Union remains in some ways still a "developing nation"—63 years after the Revolution. Here, the system *is* the problem, along with some persistent cultural and psychological hangovers from the past.

Leading the World

To begin with, the Soviets have been notably unsuccessful in transforming peasants into efficient eight-hour-a-day factory workers. With five or six months of winter and a short growing season, the Russian peasant was long accustomed to vast stretches of idleness followed by frantic bursts of energy. This habit lives on today in the industrial system of "storming" at the end of each month to fulfill the plan. Some factories are said to produce half their total output in the last 10 days of each month; Soviet economist Leonid Kantorovich, winner of the Nobel Prize in 1975, has estimated that the inefficiency of "storming" reduces national income by 30 to 50 percent. Researchers in the USSR discovered that factory hands are idle for as much as half their total worktime. For this and other reasons (poor planning, overmanning, shoddy materials, and outdated technology), the Soviet industrial worker is less than half as productive as his American counterpart.

The problem is not a new one. During the 1930s, Joseph Stalin sought to resolve it by enacting severe criminal penalties; by 1939, 20 minutes tardiness could win a worker a quick ticket to the Gulag (Stalin's "corrective labor" penal system). After Stalin's death, however, criminal sanctions were dropped in favor of economic rewards, first in wage hikes—between 1956 and 1978, the Soviet minimum wage rose by nearly 150 percent—and then in a system of bonuses for outstanding efforts. The incentives failed, for the simple reason that Soviet workers are not enticed by more money, which is of little use when goods are unavailable. As one Soviet wisecrack goes, "We pretend to work, and they pretend to pay us."

Worker dissatisfaction is expressed in high turnover rates, absenteeism, and on-the-job vodka parties. Protected by a labor shortage and by trade union officials, who since the 1950s have been able to discourage and even prevent management from dismissing unproductive workers, the Soviet worker finds that it is almost impossible to lose his job (except for political reasons). In the late '70s, nearly one-fifth of the USSR's labor force moved on to new jobs each year. And it is difficult to overstate the devastating effect alcohol has had on the Soviet economy—not to mention the health of the population. Per capita sales of alcoholic beverages nearly tripled between 1957 and 1972; during the last decade, the USSR led the world in per capita consumption of distilled spirits.* One Soviet economist has calculated that "drying out" the working population would boost industrial productivity by 10 percent.

Thus, during the 1970s, the Soviets went shopping abroad for new technology with which to sidestep altogether the labor productivity problem. Between 1965 and 1977, annual Soviet machinery imports more than quadrupled, with entire "turnkey" plants, such as the Fiat factory at Togliatti, being purchased from abroad.

One Bad Crop in Three

Yet managers as well as workers have stubbornly resisted "the scientific-technical revolution," as the Kremlin calls it. One might paraphrase Lincoln Steffens: They have seen the past, and *they* think it works better. Under constant pressure from their superiors to meet output quotas every month, Soviet factory managers shy away from the production losses inevitably incurred during any switchover to a new production system. Even when lower-level innovation is welcomed, it leads only to a pat on the back and the same old orders—fulfill the plan. Moreover, turnarounds in American trade policy, most recently with President Carter's post-Afghanistan embargo, have made some top Moscow officials uneasy about industrial policies dependent upon purchases of Western technology. Without such purchases, the task of increasing productivity will be close to impossible; even with them, the system is likely to keep any production gains rather small.

Even so, one might ask, why should the 1980s be so critical? In the past, the Soviets have muddled through; in my view, if the labor shortage squeezes industry too hard, they will (to borrow Sovietologist Seweryn Bialer's phrase) simply start "muddling down." The military will continue to get what the Kremlin decides it needs; the squeeze will be felt by the civilian consum-

*Duke University economist Valdimir Treml notes that the alcohol problem places the government in a fiscal dilemma: Although alcoholism damages health and productivity, taxes on alcohol generate about 12 percent of all government revenues, enough to cover the Soviet Union's officially announced defense budget. (True military expenditures are believed by most Western experts to far exceed the published figure.)

ers, who will not challenge the system. Here and there, over the next 20 years, factory workers may protest or strike, but Soviet history suggests that such disturbances will be both rare and brutally suppressed.

The Soviet Union's most intractable failure has been in agriculture. But nature bears part of the blame. Indeed, as Harvard historian Richard Pipes has observed, the Soviet Union's poor soil, erratic rainfall, and short growing season (about half that of Western Europe's) explain why, throughout its history, the country has suffered "one bad harvest out of every three."

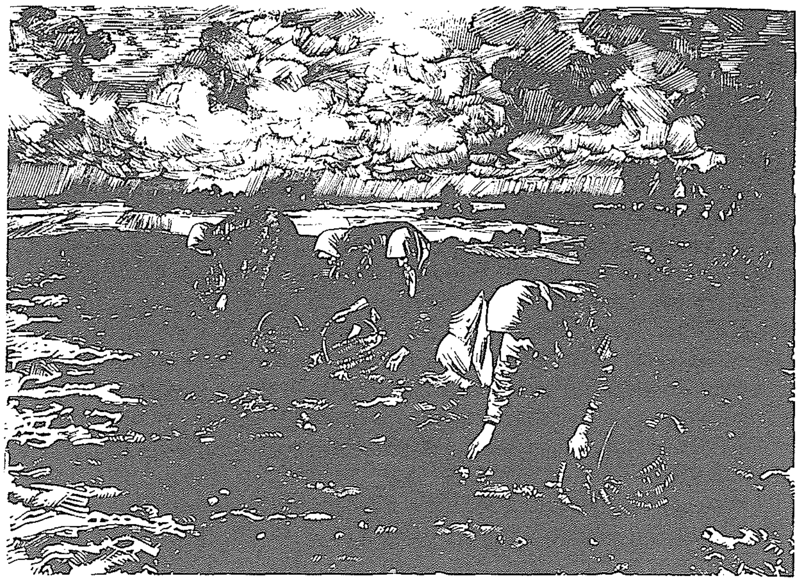
Early on, farm productivity was further hamstrung by Stalin's policies, which amounted to class warfare. During the late 1920s and early '30s, Stalin wiped out the well-to-do peasants—the *kulaks*—and collectivized agriculture. The results: famine and the deaths of millions. For the regime, the price was right. For the first time, the party gained total political control of the countryside.

Once implemented, Stalin's brutal policies became a kind of theology; its abandonment would signify an abandonment of socialism itself. Nevertheless, soon after Stalin died in 1953, his successors attempted to eliminate his worst excesses. In agriculture, these efforts became closely connected with the fate of Nikita Khrushchev.

Promoting himself as a farm expert, Khrushchev, an old Ukraine hand, reached for power in the mid-1950s by advocating a liberalization of agriculture policy. From 1956 to 1959, these changes—increased investment, higher rural living standards, and tolerance of private cultivation—coincided with beneficial weather to produce abundant harvests. Khrushchev's policies appeared to be vindicated.

Tomatoes at $5 a Pound

But as Khrushchev consolidated his position, his early pragmatism ebbed. During the early 1960s, he pushed for stricter state control and introduced the "forced crop program." The centerpiece of the program was the conversion of the Ukrainian wheat belt to corn cultivation, an ill-fated policy derived largely from official belief in Soviet agronomist T. D. Lysenko's "Marxist" theory of genetics, which (absurdly) held that plants could be made to adapt to their environment and could then transmit those adaptations to their offspring. According to Lysenko, corn would soon flourish in the Ukraine. It did not, and the spectacular failure of the Soviet European "forced crops" came just as drought hit the Soviet Asian farmlands. The 1963 harvest was a



"Potato Diggers," by R. Kaljo. In 1979, the labors of one Soviet farmworker fed 8 people, while his (or her) American counterpart fed 56.

disaster: The USSR decided to import significant amounts of food for the first time since World War II, and in October 1964, Khrushchev was ousted by the Central Committee. The Soviet Union, explained his successors, had had enough of Khrushchev's "hare-brained schemes."

Leonid Brezhnev's farm plans, introduced in March 1965, involved an enormous increase in outlays—for machinery, construction, fertilizers, and land reclamation. By 1977, the annual Soviet investment in agriculture ran to nearly $80 billion, more than six times the U.S. expenditure. Even so, the Soviets have developed a farming system capable of meeting only the most elementary needs of an industrial society. Grain imports have supplemented the domestic harvest in every year since 1971. Those imports—to feed beef cattle, chickens, and hogs—are perhaps a major cause of the relative stability of Soviet consumption in the Brezhnev era: The impact of agricultural difficulties on the Soviet economy and people has been softened through grain imports paid for by oil exports.

Meanwhile, Soviet farmers supplement official production and imports with their own "private" crops. During the mid-

1970s, the private sector occupied 3 percent of cultivated land; but it is estimated to have produced 59 percent of the USSR's potatoes, 44 percent of its fruit, 34 percent of its vegetables, and 31 percent of its meat and milk.

It is not only in agriculture that such "hidden" production enables the official state-run system to survive. Throughout the Soviet system, life is made tolerable by what Western academics call the "Soviet second economy." After six decades of socialism, notes University of Virginia economist Gertrude Schroeder, "nearly everyone seems to have devised ingenious ways to turn its shortcomings to his individual advantage." Indeed, to keep one's job, to meet the plan, to simply operate within Soviet society, it is virtually impossible *not* to participate in the unofficial "gray market" or illegal "black market." Thus, a bureaucrat seeking top quality medical attention will arrange for an appointment in a doctor's home—for a fee—rather than in a government clinic; a Moscow housewife hungry for tomatoes in mid-winter will find them being sold at $5 a pound by a Georgian farmer who has flown via Aeroflot to the capital with two basketloads; a factory manager, striving to meet his monthly production quota, will use barter or bribes to ensure the timely delivery of needed parts or supplies.

It is, of course, impossible to gauge the true extent of unofficial economic transactions. Workers with access to prized goods tend to be thoroughly corrupt: During 1971, no fewer than one in five Moscow gas station attendants was arrested by the "Department for the Struggle Against Plundering of Socialist Property" for profiteering in petrol. One might call the second economy the Soviet "10 percent solution"; overall, Western economists figure its contribution to be between 5 and 15 percent of the total official GNP. And, to repeat, it provides the kind of lubrication that allows the official system to function as well as it does.

Remembering Papa

Since the early 1970s, U.S. specialists have held up three alternative visions of the Soviet reaction to an uncertain economic future. The first sees the introduction of a hawkish, repressive neo-Stalinism; the second portrays an enlightened leadership brought to understand that economic production will not increase without liberal reform; and the third simply predicts "more of the same." Neither of the first two possibilities seems plausible.

True, some close observers of the USSR do detect an emerging grassroots neo-Stalinism, and many Soviet citizens both great and small seemingly yearn for a romanticized past when Papa Stalin made all decisions, when the Soviet people enjoyed the strange luxury of not having to think. But Stalin's answers do not address today's questions. A neo-Stalinist revival could not bring Siberian oil closer to the factories of Central Russia; it would not make workers of the technological age more productive. Stalin's agricultural policies only barely managed to feed the smaller, less urban population of a half century ago. The possibility of a Stalinist revival persists for no better reason than that it has antecedents in the past. The liberal reformist option, for its part, has no real precedent in Soviet history. It exists more as an exercise in Western logic than as a practical Soviet political choice.

The question to be answered by Brezhnev's successors is not whether to go left or right but whether there is any real alternative to more of the same. "Muddling through" (or "down") is not what will *save* the system—it *is* the system, and, in my opinion, it will absorb the impact of any attempts at neo-Stalinism or liberal reforms just as it has absorbed everything else. And though it is not painless, "muddling through" does possess the great virtue (in Soviet eyes) of predictability. Difficult adjustments by the citizenry may have to be made, but in economic matters, the Soviet threshold of pain is, like the sloth's, far higher than we might expect.

Should stagnation persist, as is likely, the Soviet leadership need not perceive disaster. Decline, after all, is relative. Zero economic growth might in the coming decade seem an outstanding accomplishment when one views the unpromising outlook in the West. Transporting oil from Siberia, no matter how costly, could well turn out to be considerably easier for Moscow than getting it from the Persian Gulf will be for the West.

We should not consider remarkable the fact that Soviet leaders face difficult problems. Rather, what is striking about the economic decisions Moscow will make—or avoid making—is not their difficulty but the fact that they are no more vexing than those that face political and business leaders in Bonn, Paris, London, Tokyo, and Washington. Indeed, the increasing uncertainty of the Soviet economic future may signify nothing more or less than the USSR's slow, stumbling entrance into the ranks of the developed world.