

## BOOK REVIEW: SEARCHING FOR THE ORDINARY SOVIET

J. Porket, *Work, Employment and Unemployment in the Soviet Union*, St. Martin's Press, New York, 1989, pp. xv+250 (ISBN 0-312-03095-9).

I. Birman, *Personal Consumption in the USSR and the USA*, St. Martin's Press, New York, 1989, pp. xix+253 (ISBN 0-312-02392-8).

One has to have sympathy for authors of books on the Soviet Union at the present time—a books' immediate relevance is so rapidly overtaken by events. Although Porket's book was completed in early 1988 and much of Birman's draws on material presented in 1985, their discussion of reforms already seems dated. Even so, both books still promised to shed light on the operations of the Soviet economy and the lot of its citizens.

Porket's book was written to refute official Soviet claims that unemployment has been abolished in the Soviet Union; his thesis is that "while open unemployment of the registered kind is absent and the labour force participation rate is high, open unemployment of the unregistered kind has not disappeared. In addition, there is chronic and general overmanning as well as voluntary and involuntary employment below skill level, i.e. underutilization of employed persons in terms of both working time and educational qualifications." Porket takes an historical approach to the topic and, after a few introductory chapters on the definitions and types of unemployment and economic systems, the book surveys the changing laws and policies with respect to unemployment since the 1917 revolution. Having introduced the issues in this way, Porket then discusses in detail the Soviet employment record with chapters on open unregistered unemployment, overmanning, the use of educational qualifications and labour supply and demand. The book concludes with a short chapter entitled "Prospects" which includes a discussion of the early Gorbachev years.

Confrontation of Soviet propaganda is also the starting point for Birman's book. The importance of this is described by Birman as follows: "It is a must to oppose persistently, purposefully, and skilfully the contentions of the Soviet propaganda machine with actual facts, correct figures, and truthful interpretation. In particular, about the standard of living this has hardly been done." (p. 1). This is no mere academic matter. Birman argues that

"whether we like it not, in most cases people evaluate political systems not by the degree of freedom but by their standard of living. Since an absolute measure of the standard of living (consumption) is meaningless, people compare the standard with what it used to be, with their neighbours', bosses', and co-workers' and, if they know, with other countries'. In general, the attitude of people and how they relate to a political-economic situation in society must be determined by, so to speak, the opening of "scissors": the position of one blade characterises people's

desires, their impression of how they wish and expect to live, and the position of the other which is the actual level of consumption. What is important is the position of the scissors . . . if the scissors close, everything is alright, but if they spread, there is increased dissatisfaction—a cause of serious political consequences.” (Pp. 3-4.)

Thus, if Birman can demonstrate that the average Soviet consumes much less than the average American then political consequences can be expected. Birman’s point of departure is a 1981 CIA study which estimated that Soviet per capita consumption was one third that of the U.S. Birman considers that this significantly overstates Soviet consumption levels—his aim is to show that in fact the scissors are further apart.

Presumably, both authors’ concerns with Soviet propaganda have abated recently since the candour with which Soviet commentators, and even the press, now discuss economic matters is a noticeable feature of *glasnost*. There is no shortage of reports predicting economic disaster emanating from Moscow. Indeed, the State Statistics Committee’s (*Goskomstat*) report, *The Economy of the USSR in 1990*, documents declining national income (falling 4 per cent) and labour productivity (minus 3 per cent). When releasing the report, *Tass* commented, “it seems that rose-tinted statistics about the socio-economic development of the country are a thing of the past.”

But what of the past? What levels of unemployment have been hidden from us by official pronouncements? Porket’s book presents a mass of material—not all of it convincing. Porket has a habit of saying “according to one Western estimate . . .” but the reliability of that one estimate is seldom discussed and we are not told why this one rather than another one is presented. However, Porket does not rely only on secondary sources and makes his own judgments in order to show that although registered unemployment is absent in the Soviet Union, other types of unemployment do exist, in contradiction to official ideology. His conclusion is that “the rate of open unregistered unemployment was low, most probably below three percent.” (P. 112.) Although it is true that three percent is not zero, one does wonder what all the fuss is about. These figures would be the envy of most capitalist countries. The basic point that the Soviet Union has historically had much less unemployment than Western countries remains intact. Porket has much to say about the “irrationalities” of Soviet employment policy, but this is too one dimensional. Pointing out the micro inefficiencies of the system is necessary and quite legitimate, but the unemployment of over 25 million people for a decade in OECD countries is also “irrational.”

By ignoring this larger irrationality, Porket glosses over the central problem which socialist economies set themselves, namely, how to guarantee full employment *and* achieve an acceptable degree of allocative efficiency. This point is of critical importance for current Soviet debates since it raises the question of whether the quest for microeconomic “rationality” will be at the expense of relatively full employment. Of course, both microeconomic and macroeconomic “rationality” would be desirable but since neither capitalism or socialism has been able to achieve this, an appreciation of the possible conflicts between the two “rationalities” is warranted.

If it appears that most Soviets do have some kind of employment and job security, what do they do when they are at work? Has the full employment problem been "solved" by serious overmanning? This question not only tells us something about current Soviet practice but has implications, of course, for the plight of Soviet workers in any reform process. Porket argues that overmanning is a type of "hidden unemployment" which, together with employment below skill level, is of greater significance than the open unregistered unemployment discussed above.

Porket quotes a Soviet source which estimated that in 1976 "labour reserves hidden in plants and factories amounted to 10-15 percent," while another concluded in 1980 that the figure was closer to 15-20 percent. This seems like a serious situation, but unfortunately we are not provided with data from advanced capitalist countries to make any meaningful comparisons (a comparison with the Japanese employment system would have been interesting and is surprisingly omitted given that Porket recognises that "Japan too has a history of chronic and general overmanning." (P. 37.) The evidence for overmanning which is presented consists of Soviet surveys which show that "at least a part of the blue-collar workers interviewed admit that they could raise their labour productivity, and at least a part of the white-collar interviewed concede that they could increase the intensity and effectiveness of their work." (P. 157).

This material is presented as if it represented unambiguous evidence of overmanning, but its interpretation is problematic. What exactly does it mean? Does it mean that some (around 20 per cent according to the surveys) Soviet workers within any particular enterprise work less efficiently than others. This is in all probability true, but it is also equally true of capitalist economies. There are, moreover, social norms which limit the extent to which some may free ride at the expense of others; presumably these norms operate in the Soviet Union as well as elsewhere. So, perhaps the results mean that all workers work less intensely than they could. This also would not be a surprising result and is equally applicable to capitalist economies; as Elster states "at the workplace one often finds informal norms among the workers that regulate their work effort. Typically, these set lower as well as upper limits on what is perceived as a proper effort."<sup>1</sup> I do not wish to suggest that overmanning does not exist in the Soviet Union or is no worse than in capitalist economies; rather, I am suggesting that surveys which show that workers could work harder do not get us very far without a knowledge of how work norms are determined and how they vary between countries.

The causes of overmanning are attributed by Porket to "systematic" factors. The consequences of overmanning include "slack work discipline, low labour productivity, high production costs, inefficiency, and divorce of rewards from performance." (P. 119). These are indeed explicitly recognised by the current Soviet leadership and the latter theme in particular has been a constant feature of Gorbachev's economic pronouncements.

In terms of the production process, we are told by Porket that "defects in the official supply system are an important cause of spasmodic production."

<sup>1</sup>Elster, J., Social Norms and Economic Theory, *Journal of Economic Perspectives*, 3 (4), 101, 1989.

(P. 115.) This would seem to be indisputable. Porket continues “another behavioral consequence of the uneven spreading of the work-load is that it encourages drinking. To be more specific, it may be assumed that while fits of idling (just as overmanning *per se*) are conducive to drinking during working hours, the stress produced by “storming” leads to drinking after working hours.” (P. 115.) This looks a bit like “pop” sociology to me, and it was with interest that I turned to Birman’s book to find out exactly how much the average Soviet drinks.

Birman estimates Soviet per capita consumption of alcohol, including *samogon* (moonshine), to be equal to 9.2 litres of pure alcohol per year. This is 16 percent higher than the U.S. figure of 7.9 litres per year (but still substantially less than the 17.7 litres per year of France and the 14.1 of Italy). The difference between the Soviet and U.S. figures is not great and the conclusion obviously worries Birman. After carefully scrutinizing his figures, he is forced to concede that “the source of the error is not apparent.” This does not deter him however; he continues “the Soviets drink so heavily and so often, there are so many confirmed drunkards, and alcoholism has become such a serious problem that it is very difficult to reconcile all these facts that are widely known and openly admitted in the Soviet literature with the figures presented above.” (P. 68.) Widely known, it seems, but not easily verifiable. What is fact and what is fiction?—one wonders.

Whilst Birman is disappointed to find little evidence of substantially higher alcohol consumption in the Soviet Union than in the U.S., he is at pains to demonstrate that consumption of other goods (with the notable exceptions of education and health) is substantially less than the CIA estimates. He believes that Soviet consumption is closer to one-fifth of the U.S. level rather than the one-third estimated by the CIA study.

Birman’s chapters on methodological issues illustrate well the problems involved in undertaking comparisons of living standards between a capitalist and socialist economy. As well as the usual problem of establishing the correct price parities to be used for making a comparison of consumption between two countries: “The cornerstone of the international comparisons method is the premise that price ratios for various goods and services are determined by consumer preferences. This premise makes it possible “to add apples and oranges” or, in other words, to use price ratios of sample goods for subgroups . . . . However, this premise, while essentially correct for market economies, does not work in Soviet-type economies where prices are determined not by consumer wishes but by the administrative action of bureaucrats.” (P. 14.) Birman provides a clear discussion of the methodological problems associated with applying the standard procedures for making international comparisons to non-market economies.

Birman correctly argues that “the selection of sample goods and the determination of the prices is the critical point of the entire work.” (P. 19.) Birman describes the way in which the CIA estimates were obtained as follows: “In the summer of 1976, the CIA undertook a “spy” operation—various goods were bought in ordinary stores in Moscow, Leningrad, Murmansk and Minsk, and the prices were written down. The goods (other than perishables) were shipped to America, and experts of major firms evaluated them. In comparing Soviet and

American prices of a good of the same kind, “quality coefficients” were determined and then applied to the American prices in computing price ratios.” (Pp. 16–17.)

Much of Birman’s criticism of the CIA results is based on the argument that some goods (most notably perishables) were not compared for quality, and for goods where such comparisons were made they overstated the quality of Soviet goods and that, therefore, the gap between Soviet and U.S. consumption standards should be larger. In arguing this, Birman admits that “in a great many cases, although feeling the author’s [i.e. the CIA’s] results cannot be right, I cannot present some calculations and quantify my own opinion. In such instances, I try to provide a lot of concrete material (figures, facts, observations), and hope that the material adequately supports my criticism. In other words, though some critics may say that such material is of an “anecdotal nature,” I hope that if one considers this material without preconceptions, it will be persuasive enough.” (P. 24.) Anyone trying to convince economists that the plural of anecdote is data is going to have a hard time.

Birman’s case is based on a detailed discussion of the major consumption subgroups—he devotes three chapters to food, and one each to soft goods, durable goods, household services and education and health care. His case is far from convincing. His estimates, as he admits, imply that Soviet per capita consumption is close to that of Colombia and Brazil, whereas the CIA estimates place the Soviet Union closer to Yugoslavia and Mexico. Birman does make some valid points. For example, Soviet figures on the production of agricultural products cannot be taken as accurate reflections of what is consumed as there is often a significant difference between what is produced and what is subsequently available for consumption; and account should be taken of the fact that some goods are available only at select times of the year in the Soviet Union while they are often available year-round in the U.S.

However, at other points, Birman’s arguments range from the questionable to the bizarre. Birman, presents numerous examples of Soviet goods which he considers are of much worse quality than the CIA estimates indicate—virtually everything from food to bicycles. Many of the quality adjustments which he suggests are purely subjective. In discussing the relative quality of food in the two countries, for example, he argues that in Moscow “the consumer carries his pickles home wrapped in *Pravda*; American packaging is carefully planned for convenience of storage and use.” (P. 40.) Surely American packaging is carefully planned to catch the consumer’s eye first and foremost; what scale of adjustment should be made here for quality seems debatable. Birman is aware that his opinions are subjective, but often appeals to the opinions of fellow Soviet emigrants to support his case. Whether such a group can be considered more objective than the CIA’s experts also seems to be open to question.

Birman estimates that Soviet clothing consumption is considerably less than that estimated by the CIA. To the outside observer, the ordinary Soviet citizen does not seem particularly poorly dressed. However, Birman argues:

“Although entirely hypothetical, the following question relates fully to our topic. Assume that the chance to dress like an American fell on

Soviet ladies from heaven. How would they look—better or worse than American females? Certainly, many will not agree with my argument, all the more so since this literally is a matter of taste, but Soviet women would look better. American society is less sexual and more Victorian than appears at first glance. Therefore, the American woman pays less attention to her appearance—she wants to look appealing for one but not for everyone. More significant is one of the results of democracy—the absence of a standard developed by some elite and accepted by society. Often the American tells herself (himself): I will dress as I wish; to hell with the Joneses . . . Both of these factors smooth out the actual difference in clothing between the two countries for the outside observer.” (P. 216.)

Both books were ultimately disappointing in providing an understanding of how the Soviet economic system affects the ordinary citizen. But, did they shed any light on the prospects for the reform process? Indirectly, the picture they give is of an economy with severe structural rigidities and characterised by low productivity and low growth. Reforming such a system is obviously a Herculean task and the lot of the ordinary Soviet cannot be expected to improve for many years. Beyond this, Porket’s analysis is not particularly instructive because he fails to develop an analytical framework to analyze the problems of the Soviet economy. Although he does argue that many problems are the result of “systematic causes,” (what he terms “command socialism”) such a term is not overly useful.

The point is, do the weaknesses of the Soviet economy result from the “command” (i.e. planning), part and/or from the “socialism” (i.e. social ownership of the means of production), part? This has become a critical issue in the Soviet Union and elsewhere—if significant parts of the planning system are replaced by market relations will this suffice? Or is it necessary to change ownership? The answer to this is critical to the whole market socialist project and the prospects for reform proposals in the Soviet Union.

Porket only briefly touches on this. Birman does recognise the importance of this question and is characteristically blunt and simplistic: “decentralisation can be effective only if those who make decisions and those who implement them are ruled by their selfish interest— it’s axiomatic. But please explain to me how this can be done without private ownership. The market system is a capitalist system, which cannot work without capitalists; it is as simple as that.” (P. 190.) Although I doubt that it is as simple as that, there is no doubt that this is *the* critical issue facing the Soviet Union, which will determine whether a reformed socialist economy is a feasible alternative to the failed central planning model. It is not, and the Soviet Union opts instead to follow the Polish route (or some variant thereof) then the future looks bleak indeed for the ordinary Soviet citizen.

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