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## The Buyers' Market and Soviet Consumer Goods Distribution

During most of the Soviet industrialization period, consumer goods enterprises and the distribution network could rest assured that almost any consumer product—any size, color, style, and quality—would be sold if offered to the public. This was the nature of the market during that period; the sellers held the upper hand, and they tried to fulfill their plans without being concerned much about the demands of buyers. But in the postwar period, especially after the death of Stalin, the production of consumer goods and personal incomes increased simultaneously, and gradually more and more consumer demands were answered. A concern for consumer welfare was emerging. With the advent of buyers' market conditions, no longer were all consumer goods that arrived on the market automatically sold; inventories accumulated and the problems of the trade network multiplied. The inventory accumulation and the new reluctance of the Soviet consumer to buy everything placed in front of him were described by Marshall Goldman in 1965,<sup>1</sup> and these developments are now familiar to most students of the Soviet economy. The purpose of this paper is to document further the change that occurred in the late 1950s, and, more important, to show that there was another significant change in Soviet trade operations in the mid-1960s. The result is a periodization of Soviet domestic trade performance.

The first period lasted past the mid-1950s and can be characterized as a sellers' market period. The second period, beginning around 1958 and continuing roughly through 1964, was a transitional period in which a buyers' market was developing for the majority of nonfood consumer goods,<sup>2</sup> while the

1. Marshall I. Goldman, "The Reluctant Consumer and Economic Fluctuations in the Soviet Union," *Journal of Political Economy*, 73, no. 4 (August 1965): 366–80.

2. The support for this statement comes from a calculation of inventory/sales ratios from 1954–69 for all the individual product groups which Soviet trade data permit. Twenty-one out of thirty-six nonfood groups exhibited ratios rising markedly after 1958 and coming down somewhat after 1964.

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trade network continued to function as it had in the previous era. Some adjustments of course were made during this time, but their effects were generally not noticeable until later. After 1964 a new stage was reached during which positive results were achieved in response to adjustments by the distribution system. The evidence for delineating these three stages in the development of Soviet internal trade consists of data on plan fulfillment, inventory/sales ratios, and productivity. After presenting a statistical analysis of these variables, we will discuss the results and attempt to account for the periodization of Soviet domestic trade.

Although the meanings of the terms "sellers' market" and "buyers' market" are generally understood, it seems useful to discuss them briefly. Both terms can be employed to describe disequilibrium situations in which the quantity supplied and quantity demanded are unequal at the going price. As long as this inequality persists, the side of the market connected with the smaller of the two quantities has some kind of bargaining advantage over the other side. When adjustments in price are prevented from working themselves out, the bargaining advantage finds expression entirely through nonprice variables. For example, in the sellers' market situation, the seller can lower the quality or narrow his assortment and still sell the same quantity, or he may engage in illegal black marketing of shortage items. In some cases, state rationing may be necessary to insure that at least a certain minimum supply reaches the population or certain parts of it. Similarly, the buyer in a buyers' market may be able to exact extra services or more variety if, at the established price, quantity supplied exceeds quantity demanded. One could then say that when equilibrium is achieved between supply and demand at the established price, neither a buyers' nor a sellers' market exists. Viewed in these terms, the Soviet Union has gone from one kind of disequilibrium situation to another with respect to the market for at least certain consumer goods. We would say that buyers' market conditions have existed for the majority of nonfood Soviet consumer goods since about 1958. Moreover, since 1964 the consumer has been more successful in using this situation to his advantage. Given the reformed system of planning and management, this implies that producers and sellers are now enjoying somewhat more success in terms of plan fulfillment, and so on, than in the 1959–64 time span.

Before turning to the statistics, it might be useful to formalize our principal hypothesis. It is that the traditional methods of distribution of consumer goods in the Soviet Union are less efficient in the new buyers' market conditions than they were when a sellers' market prevailed. If this is the case, one would expect that as the buyers' market developed, the performance of the trade network would suffer. Given statistical information on sales plans, actual sales, inventory levels, and workers in trade, it is possible to compute some important

indicators of performance which we have mentioned above. If our hypothesis is correct, one would predict that the increasing importance of the buyers' market would lead to a decline in the rate of fulfillment of sales or turnover plans. Furthermore, as the average consumer's level of living rose and he became more selective in his purchases as well as more willing to save his rubles for a particular item, one would expect to find inventory/sales ratios rising because of the accumulation of unwanted products. Finally, the problems caused by the new market conditions *might* be serious enough for labor productivity in trade to decline or at least slow down its rate of growth. The standard assumption that all other things remain unchanged should be added to the foregoing. If our predictions are correct, and there exists in the USSR a genuine concern for efficiency as well as consumer welfare, then consequently one would expect that the distribution process would not continue to stay the same but would gradually be adapted to the realities of the new market in order to move toward these two goals. This is our second hypothesis. To the extent that this hypothesis is correct and the changes are appropriate, there should be improvement in the operation of the distribution system. The periodization of Soviet domestic trade performance is an important consequence of these hypotheses.

One aspect of the trade plan receives the major emphasis in the Soviet Union, and that is the fulfillment of the plan for retail turnover. The results of the plan can be interpreted as a measure of the success or failure of the Soviet planners and trade officials in dealing with overall developments in this sector, in predicting consumer demand, and in improving their planning techniques. The results are published in the form of a percentage: actual sales compared with sales as originally planned.<sup>8</sup> Although plans are often modified during the course of the plan period with supplemental tasks, we have used the *original targets* throughout our analysis.

Table 1 presents the results of the most aggregate form of retail turnover or sales plan generally considered to have any operational significance: the annual plan for the entire USSR. For the most part, these figures have been calculated by us from a large number of sources, since an annual fulfillment percentage for the whole country generally is not published. Looking at the

3. A word concerning sources is in order. The sources for the long-term and annual plan results are cited in the text or the tables. The results of the quarterly turnover plans, which constitute the largest part of our data set, were collected from the trade newspaper, *Sovetskaia torgovlia*, which publishes these percentages more or less regularly. The gaps in our data reflect gaps in the publication of these achievements. Some statistics for the republics and for the territories of the RSFSR were also collected on their annual and semiannual sales plans, but these results have been published only sporadically, and therefore will not be used in our analysis.

Table 1. Annual Turnover Plan Results for the USSR

Year	Fulfillment of Original Plan (in percentage)	Year	Fulfillment of Original Plan (in percentage)
1954	102.3	1963	97.7
1957	103.6	1964	99.4
1958	102.6	1965	102.3
1959	98.3	1966	101.1
1960	101.4	1967	102.0
1961	99.2	1968	101.4
1962	98.8	1969	99.9

Sources: 1954: *Sovetskaia torgovlia*, Jan. 29, 1955. 1957: Computed from data in *Pravda*, Jan. 27, 1958. 1958: Computed from data in *Sovetskaia torgovlia*, Jan. 28, 1958, and Tsentral'noe statisticheskoe upravlenie pri Sovete Ministrov SSSR, *Sovetskaia torgovlia* (Moscow, 1964), p. 47. 1959: *Current Digest of the Soviet Press*, Feb. 17, 1960, p. 9. 1960: Computed from data in *Sovetskaia torgovlia*, 1960, no. 1, p. 5, and *CDSP*, Feb. 22, 1961, p. 6. 1961: Computed from data in *Sovetskaia torgovlia*, 1961, no. 1, p. 3, and 1966, no. 8, p. 61. 1962: Computed from data in *Sovetskaia torgovlia*, 1962, no. 1, p. 2, and 1966, no. 8, p. 61. 1963: Computed from data in *Sovetskaia torgovlia*, 1963, no. 1, p. 2, and 1966, no. 8, p. 61. 1964: Computed from data in *Sovetskaia torgovlia*, 1964, no. 1, p. 2, and *CDSP*, Feb. 17, 1965, p. 5. 1965: Computed from data in *Sovetskaia potrebitel'skaia kooperatsiia*, 1965, no. 1, p. 5, and *Sovetskaia torgovlia*, 1966, no. 8, p. 61. 1966: Computed from data in *Sovetskaia torgovlia*, 1967, no. 1, p. 2. 1967: Computed from data in *Pravda*, Jan. 25, 1968. 1968: Computed from data in *CDSP*, Nov. 1, 1967, p. 11, and Feb. 12, 1969, p. 8. 1969: Computed from data in *Sovetskaia torgovlia*, 1969, no. 1, p. 2, and *CDSP*, Feb. 24, 1970, p. 8.

data it can be seen that there appear to be three distinct time spans here: 1954–58, 1959–64, and 1965 onward. In terms of Soviet thinking with respect to sales plans, fulfilling the plan by only 97 or 98 percent is a failure, a poor year, although by some standards that might seem to be an excellent score. Traditionally, these plans were the kind meant to be fulfilled and overfulfilled; the more the better. This is especially true with respect to this index, since it is often portrayed as a general measure of the improvement in living standards. From this point of view, the early and late years in this table were quite successful, and the intermediate years, when the consumer first started to flex his muscles, were years of poor performance, for the plan was missed in five of the six years. Even the 100-plus years of 1960 and 1965 could not rescue the Seven-Year Plan for 1958–65 from missing its goal.<sup>4</sup>

Let us now examine the quarterly turnover plan results for Soviet retail trade. Here we have collected data from 1956 (when usable data on quarterly trade plans began to appear) onward for the USSR as a whole, for the fifteen republics, and for sixty-nine oblasts, krais, cities, and autonomous republics of the RSFSR. The same kind of trend that we observed in the annual data is evident here at each of the three territorial levels. The number of plans ful-

4. Jerzy Karcz, "Seven Years on the Farm: Retrospect and Prospects," in U.S. Congress, Joint Economic Committee, *New Directions in the Soviet Economy* (Washington, D.C., 1966), p. 386.

filled fell drastically in the late 1950s and early 1960s, but rose to new heights starting with the fourth quarter of 1965 (prompting us to make the rather arbitrary assumption that this marks the beginning of the new period).<sup>5</sup> Table 2 summarizes the situation with respect to fulfillment over time. The decline in fulfillment from period 1 to period 2 and the rise in fulfillment from period 2 and period 3 is striking at all three levels of planning. An interesting characteristic which appears in this table is that, with only one exception, the more aggregated the plan, the more frequently it is met. In each period the all-union plan is met a higher proportion of the time than the republic plan, which in turn is fulfilled more frequently than the lower-level plan. Apparently the aggregation process favors overfulfillment.

In table 3 we have presented some of the statistics we computed from the plan results. These, first of all, verify what has already been hypothesized concerning the differences in the three time periods. To test whether the means (i.e., the unweighted averages) for the different periods were the same or not, we employed a test on the difference between the means taken in pairs.<sup>6</sup> It was found that the mean of 1956–58 was significantly larger than that of 1959–65 for the USSR and the republics at the 5 percent level of significance and for the territories at the 10 percent level. The mean of period 3, however, in all three cases was significantly larger than period 2. Only at the territorial level was the first period significantly different from the last. The implication is that there *was* a significant decrease in the average percentage of fulfillment of quarterly retail sales plans after 1958 and a significant increase after the third quarter of 1965.

5. The original reason for selecting the fourth quarter of 1965 as the start of the new period was that the new reforms were technically to begin then, but as it turns out, some plan results improved even earlier in 1965.

6. The statistic,

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{S_1^2/N_1 + S_2^2/N_2}}$$

assuming the population of plan results to be normally distributed, has approximately a *t* distribution with *f* degrees of freedom where

$$f = \frac{(S_1^2/N_1 + S_2^2/N_2)^2}{\frac{(S_1^2/N_1)^2}{N_1 + 1} + \frac{(S_2^2/N_2)^2}{N_2 + 1}} - 2$$

and where *X* = sample mean,  
*S*<sup>2</sup> = sample variance,  
*N* = sample size.

This statistic was used in our analysis. For a description of this test see Wilfrid J. Dixon and Frank J. Massey, Jr., *Introduction to Statistical Analysis*, 2nd ed. (New York, 1957), pp. 123–24.

Table 2. *Quarterly Turnover Plans: Rate of Fulfillment*

	Number of Times Plan Was Fulfilled	Total Number of Times Reported	Rate of Fulfillment (in percentage)
<i>USSR</i>			
1956-58	4	5	80
1959-65	8	26	31
1965-69	15	15	100
<i>Republics</i>			
1956-58	55	75	73
1959-65	197	390	51
1965-69	168	225	75
<i>Territories of the RSFSR</i>			
1956-58	146	276	53
1959-65	379	897	42
1965-69	551	759	72

Table 3. *Quarterly Turnover Plan Results: Summary Statistics*

	Average Percent Fulfillment	Standard Deviation	Number of Observations	Maximum	Minimum	Range
<i>USSR</i>						
1956-58	101.3	1.5	5	103.2	99.3	3.9
1959-65	99.3	1.4	26	102.3	96.7	5.6
1965-69	101.2	0.7	15	102.5	100.0	2.5
<i>Republics</i>						
1956-58	102.2	4.4	75	112.8	89.7	23.1
1959-65	100.7	3.3	390	109.6	87.7	21.9
1965-69	101.5	2.7	225	107.0	91.5	15.5
<i>Territories of the RSFSR</i>						
1956-58	99.7	4.1	276	109.5	85.1	24.4
1959-65	99.3	2.6	897	108.1	90.4	17.7
1965-69	100.9	1.7	759	106.1	95.9	10.9

The second area to which we turn for evidence of periodization is that of inventories of consumer goods in the retail network. In the USSR the retail trade organizations and enterprises themselves hold the vast majority of consumer goods stocks. This in itself causes distribution problems, and also reflects the relatively low position of Soviet wholesaling in the distribution of consumer goods. Adequate stocks are required to fill economically the various demands of the population. On the other hand, when stocks are more than sufficient to meet needs, costs rise and efficiency falls. Thus the level of inventories relative to sales is a key indicator of performance.

In table 4 we present data on retail inventories and sales from 1932 through 1969. For our present purposes it is the behavior of the inventory/sales ratio that is of major interest. The extremely low ratios that existed through the end of World War II are a reflection of the low priority accorded to the

Table 4. Retail Inventory and Sales Trends (in million rubles)

Year	Year-end Inventory	Inventory: Average of Contiguous Years	Annual Sales	Inventory/Sales Ratio
1932	243	243 <sup>a</sup>	4,036	0.0602
1935	876	876 <sup>a</sup>	8,171	0.1072
1936	1,174	1,025	10,676	0.0960
1937	1,364	1,269	12,594	0.1008
1938	1,292	1,328	14,002	0.0948
1939	1,294	1,293	16,583	0.0780
1940	1,636	1,465	17,508	0.0837
1945	1,911	1,911 <sup>a</sup>	16,014	0.1193
1946	2,780	2,346	24,723	0.0949
1947	3,867	3,324	33,080	0.1005
1948	5,953	4,910	31,023	0.1583
1949	7,227	6,590	33,511	0.1966
1950	6,410	6,818	35,958	0.1896
1951	7,690	7,050	37,985	0.1856
1952	9,320	8,505	39,359	0.2161
1953	9,429	9,374	43,071	0.2176
1954	9,004	9,216	48,188	0.1912
1955	9,887	9,446	50,194	0.1882
1956	11,935	10,911	54,743	0.1993
1957	12,320	12,128	62,501	0.1940
1958	14,803	13,562	67,720	0.2003
1959	17,429	16,116	71,923	0.2241
1960	18,176	17,802	78,555	0.2266
1961	20,245	19,210	81,076	0.2369
1962	21,536	20,890	87,296	0.2393
1963	23,429	22,482	91,685	0.2452
1964	25,662	24,546	96,361	0.2547
1965	26,381	26,022	104,762	0.2484
1966	26,528	26,454	113,015	0.2341
1967	27,567	27,048	123,579	0.2189
1968	29,073	28,320	134,190	0.2110
1969	31,561	30,317	144,399	0.2100

Sources: TsSU, *Sovetskaiia torgovlia* (1964), pp. 40, 111, 116. *Narodnoe khoziaistvo SSSR v 1967 g.* (Moscow, 1968), pp. 715, 726, *Nar. khoz., 1969*, pp. 601, 612.

<sup>a</sup> Year-end figures.

consumer during the Soviet industrialization drive. Goods were sold very rapidly, because their prices were generally below equilibrium levels and the population's demand for them was far from satisfied. The jump in the ratio of more than 50 percent from 1947 to 1948 clearly was the result of the currency reform decreed on December 14, 1947, which greatly reduced the cash hoards of individuals, especially peasants.<sup>7</sup> Although some retail prices were lowered at the time, sales still dropped and stocks still increased during 1948. During 1949 the state continued to recover from the destruction of World War II; as a result, production began to approach prewar levels, and simultaneously more goods were made available for trade inventory. According to Nove, "As

7. Alec Nove, *An Economic History of the USSR* (London, 1969), p. 308.

the flow of consumers' goods increased faster than the rise in wages, the Soviet authorities were able to reduce prices in subsequent years. Prices were cut every spring from 1948 to 1954."<sup>8</sup> The effect of these price reductions was to make the stock/sales ratio lower than it otherwise would have been (in fact, it declined in three of the seven years).

It is always difficult to mark the beginning and ending of periods, but if we take 1959 as the first year of a second period, we see that the inventory/sales ratio climbed in every year through 1964, when the peak was reached. Our ratio averaged 0.2378 during this period as opposed to 0.1463 during the previous twenty-five years. The earlier period, which we would identify as a sellers' market period, may be subdivided into the period 1932–47 when goods were in such short supply that many of them had to be officially rationed for several years, and the period 1948–57 when the production and supply began to improve and rationing was not necessary. Finally, there seems to be a third major period beginning in 1965 during which our ratio fell every year and averaged 0.2245 through 1969. When the inventory/sales ratio is computed only for nonfoods (40 to 45 percent of total sales), the periods are even more distinct than those shown in the aggregate data with foods included. Other calculations we have made (but do not present here) with respect to inventories and Soviet statistics on inventories and their norms show similar trends.<sup>9</sup>

The last area to which we will turn for evidence of periodization is labor productivity in retailing, which in the Soviet Union includes eating places as well as stores and stalls. We have computed the standard measure of labor productivity in this sector (sales per worker) and presented the results in table 5. The index of labor productivity also appears to have gone through three definite periods since the time of Stalin. The first period, ending in 1958, shows an increasing trend through time. The second period, extending from 1959 through 1964, exhibits a downward slide. And the last group of years shows continuous growth in productivity. If one takes into account the differences in the number of hours worked, the basic picture remains unchanged, although sales per man-hour did not fall until 1961.<sup>10</sup> Furthermore, when we calculate the annual rate of labor productivity change, we discover a pronounced periodization for all trade workers as well as for retail employees alone, on a per-hour as well as a per-worker basis.<sup>11</sup> It might be suggested that the periodization in labor productivity reflects the differences in the fulfillment

8. *Ibid.*, p. 309.

9. C. V. Pavlov, *Sovetskaia torgovlia v sovremennykh usloviakh* (Moscow, 1965), p. 39, and *Sovetskaia torgovlia*, 1967, no. 6, p. 15.

10. Skurski, "Distribution of Consumer Goods," p. 319.

11. *Ibid.*, p. 320.



Table 5. Labor Productivity in Soviet Retailing

Year	Average Number of Workers (1000's)	Index (1950 = 100)	Sales per Worker in 1937 prices <sup>a</sup> (1,000 rubles)	Index (1950 = 100)
1937	1,735	88.2	7.259	95.3
1940	2,202	112	6.854	90
1950	1,967	100	7.617	100
1951	2,018	103	8.921	117
1952	2,155	110	9.132	120
1953	2,169	110	10.68	140
1954	2,339	119	11.98	157
1955	2,490	127	11.93	157
1956	2,557	130	12.52	164
1957	2,667	136	13.62	179
1958	2,847	145	13.67	179
1959	3,041	155	13.59	178
1960	3,295	168	13.86	182
1961	3,561	181	13.24	174
1962	3,800	193	13.28	174
1963	3,991	203	13.20	173
1964	4,223	215	13.04	171
1965	4,451	226	13.53	178
1966	4,665	237	13.92	183
1967	4,928	251	14.50	190
1968	5,253	267	14.77	194
1969	5,529	281	15.10	198

Sources: WORKERS: TsSU, *Sovetskaia torgovlia* (1964), p. 131, and TsSU, *Sovetskaia torgovlia* (1956), p. 113. *Nar. khoz.*, 1967, p. 733, and *Nar. khoz.*, 1969, p. 619. SALES: The sales figures used were those presented in table 4 after deflating them to 1937 prices. The deflator used was the retail price index found in Richard Moorsteen and Raymond P. Powell, *The Soviet Capital Stock, 1928-1962* (Homewood, Ill., 1966), p. 574, and continued in Abraham S. Becker, Richard Moorsteen, and Raymond Powell, *The Soviet Capital Stock: Revisions and Extensions, 1961-1967* (New Haven, 1968), p. 42, after converting it to an annual average and extending it through 1969 by using the data in *Nar. khoz.*, 1967, p. 739, and *Nar. khoz.*, 1968, p. 639.

<sup>a</sup> Deflation to constant prices was necessary because there was considerable change in the retail price index between 1937 and 1954, although the index has changed very little since then.

of trade plans, since manning is done to a large degree on the basis of planned turnover, and therefore variations in productivity could reasonably be explained by overfulfillment or underfulfillment of trade plans. However, when this hypothesis was submitted to regression analysis, it was found that there was very little relation between variations in productivity and deviations of the trade plan from 100 percent fulfillment.

The three indicators which we have been examining are probably the key ones if one is concerned with the performance of the trade network during the last fifteen years. All of them seem to have gone through three separate stages, but they all lead to the same conclusion: during the late 1950s and

early 1960s Soviet trade was not performing as well as it had in the immediately preceding years or as well as it has in the succeeding years. At the most general level, our explanation for this is that the Soviet trade network functioned most efficiently in the conditions of a sellers' market and short supply but was not prepared to operate in an increasingly stronger buyers' market.

The fact that personal income and consumer-goods production had been rising rather continuously may have escaped the notice of the trade officials.<sup>12</sup> On the other hand, the officials perhaps were aware of these changes but did not understand that they would substantially alter consumer behavior. In light of the primitive state of the study of consumer demand at that time in the USSR, one can understand how this could happen. As late as 1959, for example, the Scientific Research Institute of Trade and Public Catering (NIITOP) of the RSFSR continued to avoid research to develop basic methods for estimating consumer demand.<sup>13</sup> Over the past ten years, however, consumer demand has come to the forefront of Soviet economic problems. The problem of the study of consumer demand has expanded gradually from being solely the concern of the trade sector to become the responsibility of all levels of industry and planning as well as trade. At the same time it was recognized that it was necessary to scrap the arcane, simplistic methods of forecasting demand based on the subjective opinions of trade personnel and to substitute newly developed, more scientific techniques. Many difficulties and problems remain in this area, but progress is being made in the development of demand theory and techniques for predicting demand.<sup>14</sup> Moreover, it is possible that at least some of the improved performance after 1964 is due to the progress which has been achieved in this field.

Another result of the strengthening of the buyers' market has been the increased importance of orders and contracts. In part this is an indication of the greater concern with consumer demand and the improved techniques for studying it—both of which raise the confidence of the trade people in their orders and decrease the skepticism with which producers receive them. In addition, the new importance of orders and contracts is part of a conscious effort to improve these instruments in the distribution of consumer goods. The improvements in the arbitration process over disputed contracts, the lessening of the arbitration agencies pro-plan and pro-industry bias, and the stiffening of

12. Goldman, "Reluctant Consumer," p. 367, and TsSU, *Trud v SSSR* (Moscow, 1968), pp. 138–39.

13. *Sovetskaia torgovlia*, Oct. 6, 1960.

14. For example, one of the major Soviet works on demand has just appeared in a revised edition: I. I. Korzhenevsky, *Osnovnye zakonomernosti razvitiia spros v SSSR* (Moscow, 1971).

economic penalties for faulting contracts have all tended to increase the chances that the conditions and tasks outlined in contracts will be met.<sup>15</sup>

A greater interest in cutting waste and increasing efficiency has also contributed to improvements in internal trade. Some of the recent reforms are aimed at encouraging better use of resources, and therefore one of the reasons that retailers have found it more important now to keep their inventories from becoming excessive is that they are interested in meeting their profit as well as their sales plan. Inventories are financed partly by the enterprise's own working capital, which it receives from the state budget without cost, and partly through short-term loans from the banking system. Interest is charged for the loans, but this is not new, and in the past the practice did not render the borrower materially interested in repaying on schedule.<sup>16</sup> However, since interest is included in the costs of retailing, higher costs will lead to lower profit, which means that a key indicator is now affected by excess inventories.

The banks in recent years have also found themselves better able to exert their much discussed "control by the ruble," and this has undoubtedly improved the inventory situation. To a certain extent the banking system has been blamed for permitting the inventory accumulations after 1958.<sup>17</sup> The banks, however, were only partly at fault, in the sense that they did not fully employ all of their powers. But until recently even if the bank warned a trade organization that it would impose credit sanctions unless measures were taken to sell surplus goods, there was little that the trade organization could do to move these goods. Furthermore, retailers were still not in a good position to use orders and contracts to prevent surpluses from accumulating in the first place. This explains why the banks appeared to be neglecting their tasks when they continued to grant credit to organizations with above-norm inventories. The banks realized that their demands could not very well be met, and granted credit automatically to cover planned turnover, which was the key success indicator at the time.<sup>18</sup>

Gradually, some alternatives for the retail enterprise have been introduced. The first, the surplus goods fairs, came into being in 1959. However, it is only at these fairs—which probably are still not held often enough and in enough places—that the trade people are allowed to sell their surpluses to one another.

15. Skurski, "Distribution of Consumer Goods," pp. 105–6.

16. V. Batyrev, "The Economic Reform and the Increasing Role of Credit," *Kommunist*, 1966, no. 2, translated in *Problems of Economics*, 9, no. 5 (September 1966): 55.

17. See, for example, S. Tarun'ian, "Nuzhen strogiy finansovyi kontrol' za rabotoi torgovykh organizatsii," *Finansy SSSR*, 1961, no. 11, p. 18, or M. Zotov, "Sposobstvovat' kreditom dal'neishemu razvitiyu torgovli," *Den'gi i kredit*, 1961, no. 7, pp. 16–17.

18. George Garvy, *Money, Banking, and Credit in Eastern Europe* (New York, 1966), p. 65.

The second device now available to retailers is the possibility of price reduction on the basis of a specially created fund. This option was created in 1960, but it was not much used until after the 1965 reforms. The banks now grant credit for the redistribution of goods between raions and oblasts, and this also helps the trade organizations to reduce their surpluses and shortages.<sup>19</sup> Finally, the closer attention which the banks now pay to enterprise operations has at least made loans for spurious seasonal accumulations more difficult to obtain and has helped to pinpoint slow-moving items.<sup>20</sup> No doubt the crediting procedure still needs to be improved, since banks are still learning to operate in a buyers' market for many consumer goods, but the results to date are certainly an improvement over the previous situation.

The factors which we have been discussing can also be said to have contributed to the turnaround in labor productivity, at least indirectly. An improvement in demand prediction, for example, makes it simpler to sell goods to the customer and decreases inventory problems. Moreover, there are some other variables that have a more direct bearing on productivity which we should mention, at least casually. One is the increasingly higher educational level of trade personnel, particularly the specialists. Between 1957 and 1965 the number of specialists in trade with higher education nearly doubled, and its share in the total number of workers in this sector appears to have risen by about 50 percent.<sup>21</sup> The same is true of the statistics on workers with middle-level education in commerce, or secondary specialized education as it is sometimes called.<sup>22</sup> This growing share of specialists in trade must have contributed to the recent improvement in productivity. On the other hand, the relatively small share of workers with middle or higher education, even today, leaves much room for improvement.

Another influence on labor productivity has been the growing importance of so-called progressive methods. These include self-service and other changes from the standard retailing setup of the USSR.<sup>23</sup> That self-service brings favorable results has been well documented by experiments in the USSR. It is generally agreed that the introduction of self-service provides the opportunity to cut labor costs, raise sales per worker, and cut costs as a percentage of sales. In addition, capital productivity can also be improved. Recent studies have found that sales per square meter of selling space, as well as per store, increased

19. A. Zolov, "Razvitie trgovli v Belorusskoi SSSR," *Den'gi i kredit*, 1967, no. 6, p. 18.

20. S. Mezhiborskaia, "O kreditovanii tovgovykh organizatsii osushchestvliaiushchikh dosrochnyi zavoz tovarov," *Den'gi i kredit*, 1967, no. 6.

21. *Trud v SSSR*, pp. 24-25, 264-65.

22. *Ibid.*, pp. 24-25, 282-83.

23. Marshall I. Goldman, *Soviet Marketing* (New York, 1963), pp. 17-18, describes the traditional retailing setup which the Russians call the *kassa* system.

when the stores changed over to self-service, because the decline in shopping time per customer increased the traffic capacity of the stores.<sup>24</sup> Other progressive methods, such as the prepackaging of products, have also improved productivity.

Another factor which may have contributed to the increase in productivity is an increase in the burden on the Soviet consumer. Clearly the contribution of the consumer to the Soviet distribution process is large and no doubt helps to keep the labor and capital inputs into trade smaller than they otherwise would be.<sup>25</sup> However, we have no indication that the consumer input here has increased in recent years. In fact, with the introduction of progressive methods and a different attitude toward worker satisfaction and morale,<sup>26</sup> we would expect the consumer share to decline soon if it has not already.

With respect to planning, it would seem that improved forecasting of consumer demand, heavier weight on orders and contracts, and better control by the banks, among others, have raised the likelihood that actual performance will not deviate very widely from the plan. Our data in table 3 on the standard deviation around the average plan fulfillment percentage indicate that variation in plan fulfillment has decreased in each of our three time periods and at all three of the planning levels studied. This would seem to be a positive achievement.

There are probably other factors that have contributed to the trends in Soviet trade described here. We have tried to point out those which we feel have been the most important. The economic reforms promulgated in September 1965, for example, were considered only indirectly in our discussion. Although we at first felt that the reforms must have been a significant factor, we now view the improving situation after 1964 as the result of a number of forces most of which were already in operation before September 1965.

### *Concluding Remarks*

In this paper we have attempted to present statistical evidence for a periodization of the performance of the internal trade sector of the Soviet Union. The data are consistent with the hypothesis that the methods of distribution of consumer goods employed in the USSR since the 1930s are less

24. V. Shimansky, "Effektivnee ispol'zovat' osnovnye fundy," *Sovetskaia torgovlia*, 1968, no. 6.

25. Roger Skurski, "The Factor Proportions Problem in Soviet Internal Trade," *Soviet Studies*, 23, no. 3 (January 1972): 450-64, discusses this point in some detail.

26. *Current Abstracts of the Soviet Press*, March 1970, p. 31, indicates that at least some Soviet analysts feel that putting the burden on the shopper has an indirect negative influence on national production through its effects on morale, productivity, and workmanship.

effective in conditions of a buyers' market than they were under the sellers' market which prevailed through the mid-1950s. The existence of the different periods was traced to the advent of a buyers' market for many Soviet consumer goods and to the behavior of the wholesaling and retailing network in the face of this important development. The unsuccessful years must be attributed to the inadequacy of the old methods of distribution in circumstances that were entirely new to the USSR. As the buyers' market developed, the low degree to which the traditional methods of operation took account of the consumer became a serious obstacle in the distribution process. But after a lag of several years, various kinds of changes, such as the introduction of modern techniques of estimating consumer demand, began to emerge. These changes have already made a noticeable impact on plan fulfillment, inventory/sales ratios, and labor productivity. In the future, we would expect to see continued improvement—for example, in the areas of demand analysis, information handling, and inventory control. One of the major difficulties remaining in the Soviet approach to consumer goods distribution is the rigidity which it places on production and distribution in the short run. Some of the developments of the last decade have built more intraplan flexibility into the system, but if the trade network is to deal successfully with the more sophisticated and less predictable consumer of the 1970s, even more flexibility will be required.