

An Analysis of Consumer's Disposable Money Income and Saving Deposit in the Soviet Union

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The way of life in the Soviet Union is undergoing drastic changes. These changes have been introduced by the Soviet leader Mikhail Gorbachev under the names of "glasnost" and "perestroyka," that allow greater freedom of speech and of private enterprise. This is a departure from the old system that relied upon the central economic planning with emphasis on production for heavy industry and the military build-up. This system did experience rapid economic growth during the 1950s and 1960s. The continued emphasis on heavy industry and central planning have resulted in neglect of consumer goods. Workers receiving money incomes were left with very little to buy. This, in turn, gave little incentive for workers to produce. Eventually the rate of economic growth declined during the late 1970s and 1980s.

Prices on consumer goods and services are fixed by the planners. In order to balance the supply and demand for scarce consumer goods, the planners impose heavy pressure on the population to deposit their unspent rubles in the savings banks. Based on this pressure, savings deposits and the number of depositors grew rapidly and by 1985 its total reached 221 billion rubles with 171 million depositors.

Such a large inflow of deposits to the savings banks aroused a debate among Soviet economists on the role of the deposits in the Soviet economy. These economists are concerned about the inflationary impact that these deposits might have when fixed prices on consumer goods would be removed by the government.

The goal of economic reforms is to create incentives to produce more consumer goods and in the same way, to raise the standard of living in the Soviet Union. Due to the lack of entrepreneurial spirit in the Soviet Union, it might take a long time to achieve the success of the economic reform.

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I. Introduction

The Soviet economy is a socialist economy in the sense that nearly all of the means of production and inventories are vested in the state and to a smaller extent in cooperative bodies. Most recently much has been reported by the United States media on the Soviet Union's policies of "glasnost" and "perestroika" which have been just introduced by the Soviet Union. These policies are welcomed by the Western diplomats as a positive step toward East-West relationship, though Western diplomats would like to see more of "glasnost" (meaning expression of thoughts without fear of prosecution) put into practice, while the Soviet government is more concerned about "perestroika" (meaning economic restructuring). Soviet newspapers, during the fall of 1987, devoted a great deal of coverage to "perestroika."

In "perestroika," plant managers ought to obtain greater authority in hiring employees, establishing their wages and salaries, setting the production schedules, and establishing prices for their products. Prior to "perestroika," such decisions for the plant were made by the State Planning Administration in Moscow. "Perestroika" also permits small private business enterprises, like restaurants and repair shops, but they have to be operated by the proprietors since no hired labor is allowed. Another form of private business that will be allowed is cooperative ownership.

Since the Soviet Union has already surpassed the United States in the production of steel, coal, machine tools, oil and tanks,¹ one might wonder why the Soviet need economic reforms. The answer to that must be that the current economic system lacks adequate production for the consumer sector of the economy. Steel, machine tools, and tanks, useful as they may be, cannot be eaten or worn by the Soviet citizens. Thus the main objective of "perestroika" is to improve the standard of living of the Soviet citizens. An attempt of this paper is to present some facts and figures about the economic status of the Soviet citizens.

II. Disposable Money Income

In the Soviet economy, personal income accrues chiefly in money forms. Table 1, Consumer's Disposable Money Income, presents the sources of personal income for the years from 1950 through 1985. During the same period, the average annual rate of growth of per capita disposable income was about five percent. In recent years this rate of

¹ See *Commodity Year Book* (1987), pp. 49, 190 and 258.

growth of per capita disposable personal income has declined. Taking into consideration the last ten years, 1975-1985, this rate declined to three percent. Although there was a respectable rate of growth in per capita disposable money income during the entire period, this income was still far below those in Western Europe, Japan, and the United States as of 1985.

Consumers are free to dispose of their money income as they see fit. The greater part of it they spend on consumption. Consumer goods and services are generally distributed through the exercise of effective choice by consumers in the corresponding market (although the choice is limited due to limited quantity and quality of goods). With the money income left over after tax payments and consumer goods and service purchases, consumers have two choices: to hoard money or to deposit money in savings banks. Since individuals in the Soviet Union are not permitted to own productive property or inventories, personal savings are used for the purchases of a home or durable goods.

Table 2, Family Budget of Workers and Clerical Personnel, presents the structure of income and expenditures of the families of workers and clerical personnel and Table 3, Family Budget of Collective Farmers, presents the structure of income and expenditures of families living and working on collective farms. About 97 percent of the income of the non-farm population is received from wages, salaries, and pensions. The remaining three percent comes from outside jobs and from private gardening. About 25 percent of income of collective farm families comes from cultivation of small plots of land that the government allows the farmers for private use. Other sources of income are 45 percent from collective farms and 19 percent from pensions. Thus, collective farmers must rely heavily on income from the products they cultivate on the small plots of land. On the expenditure side, the largest percentage is spent on food; 30 percent for urban population and 35 percent for farm population (taking into consideration the limited choices of food available and government subsidies to food prices, this percentage is high). The second largest expenditure is for clothes and footwear; about 16 percent of the budget. Here again, Soviet citizens have limited choices. Numerous reports from American travellers to the Soviet Union indicate that the American blue jeans are selling for 200 Soviet rubles on the black market, which is equivalent to one month wages of a Soviet worker. It is interesting to note that over a fifteen year period, Soviet families, both urban and rural, allocate the same percentages of their income on clothes and footwear.

In comparison, an American family, on the average, spends about 23 percent on housing, 20 percent on food, 6 percent on clothing, and 8

Table 1
CONSUMER'S DISPOSABLE MONEY INCOME 1950-1985

(in Billion Rubles)

Year	State Enterprises & Cooperative Employee (in Million)	Average Annual Wage (in Rubles)	Pension & Other Government		Total Payroll*	Money Income of Collective Farms	Total Money Income	Personal Income Taxes	Compulsory Government Bonds Sub-scription**	Disposable Personal Income	DPI Per Capita (in Rubles)
			Transfer Payments	Government							
1950	40.4	774	2.53	8.07	32.55	8.07	43.15	3.6	2.14	37.41	210
1955	50.2	866	3.78	12.75	43.47	12.75	60.00	4.8	1.83	53.37	275
1960	62.0	972	8.28	16.34	60.26	16.34	84.88	5.6		79.28	374
1965	76.9	1,158	15.00	21.52	89.05	21.52	125.75	7.7		118.05	513
1970	90.2	1,464	23.6	30.03	132.05	30.03	185.69	12.7		176.04	727
1975	102.2	1,742	34.6	38.05	178.02	38.05	250.68	14.52		236.16	933
1976	104.2	1,817	36.7	38.65	189.33	38.65	264.68	15.65		249.03	973
1977	106.4	1,862	38.2	40.88	198.12	40.88	277.20	16.38		260.82	1,010
1978	108.6	1,919	40.3	42.10	208.40	42.10	290.80	17.22		273.58	1,052
1979	110.6	1,960	42.3	40.72	216.73	40.72	299.80	17.88		261.92	1,076

Table 1 (Continued)

Year	State Enterprises & Cooperative Employee (in Million)	Average Annual Wage (in Rubles)	Pension & Other Government Payments				Total Payroll*	Money Income of Collective Farms	Total Money Income	Personal Income Taxes	Compulsory Government Bonds Sub- scription**	Disposable Personal Income (in Rubles)	DPI Per Capita (in Rubles)
			Government Transfer Payments	Other Government Payments	Money Income of Collective Farms	Total Money Income							
			Government Transfer Payments	Other Government Payments	Money Income of Collective Farms	Total Money Income							
1980	112.5	2,027	228.04	45.6	38.79	312.43	19.14	293.29	1,107				
1981	114.0	2,070	235.98	48.3	40.59	324.77	19.77	305.10	1,143				
1982	115.2	2,128	245.15	51.3	43.42	339.87	20.59	319.28	1,187				
1983	116.1	2,166	251.47	54.9	48.66	355.03	21.14	333.89	1,232				
1984	116.8	2,218	259.06	58.1	50.17	367.33	22.04	345.29	1,260				
1985	117.8	2,281	268.70	61.1	51.67	381.47	23.13	358.34	1,298				

* During the period between 1948 and 1953 MTS employees were not included in the labor force statistics, therefore, adjustment for these employees is made in total payroll.

**Discontinued beginning in 1958.

Source: Abram Bergson, *The Real National Income of Soviet Russia since 1928*, Cambridge, Mass., 1961, 265.

National Economy of the U.S.S.R., 1958, cit., 650.

National Economy of the U.S.S.R., 1961, cit., 765.

Figatnov, S.P., *Real Wages and the Raising of the Material Well-Being of Working Persons in the U.S.S.R.*, Gasfinizdat, Moscow, 1962, 19.

National Economy of the U.S.S.R., 1964, 1966, 1968, 1970, 1972, 1979, 1982, 1985.

Table 2
FAMILY BUDGET OF WORKERS AND CLERICAL PERSONNEL
IN THE SOVIET UNION

	(in Percent)			
YEARS	1970	1975	1980	1985
TOTAL INCOME	100	100	100	100
Sources of income:				
Wages and salaries	74.4	74.3	74.2	72.4
Pensions and other transfer payments	22.1	22.5	23.3	25.0
From personal enterprises	1.3	0.9	0.7	0.6
From other sources	2.2	2.3	1.8	2.0
TOTAL EXPENDITURES	100	100	100	100
Food	35.7	32.9	31.7	29.4
Clothes and footwear	15.5	15.4	16.1	15.5
Durable goods (including home furnishings, auto- mobiles, bicycles, motor- cycles)	5.8	6.5	7.2	7.6
Fuel	0.4	0.3	0.4	0.5
Construction materials	0.3	0.2	0.1	0.1
Health and cultural services	23.5	23.1	23.5	24.4
Education and medical care paid from public funds	(13.9)	(13.8)	(14.1)	(15.2)
Housing paid from public funds	(2.7)	(2.7)	(2.7)	(2.7)
Savings (includes deposits in the savings banks, additon to poultry, cattle, and other personal products)	4.1	6.3	5.9	7.8
Taxes and other payments	7.9	8.5	8.7	8.9
Other expenditures	6.8	6.8	6.4	5.8

Source: Narodnoye Khozyaystvo USSR 1985, pp. 418-419.

Table 3
FAMILY BUDGET OF COLLECTIVE FARMERS

YEARS	(in Percent)			
	1970	1975	1980	1985
TOTAL INCOME	100	100	100	100
Sources of income:				
Collective farms:	40	43.7	43.9	46.3
Wages of members of the family	8.4	8.1	9.6	9.2
Pensions and other transfer payments	17.9	21.4	19.5	19.1
Personal enterprises	31.9	25.4	25.3	24.1
Other sources	1.8	1.4	1.7	1.3
TOTAL EXPENDITURES	100	100	100	100
Food	40.4	37.1	35.9	33.4
Clothes and footwear	15.7	15.7	16.5	15.8
Durable goods (including home furnishings, automobiles, bicycles, motorcycles)	4.9	5.9	6.7	7.0
Fuel	1.8	1.6	1.5	1.3
Construction materials	2.8	2.7	1.9	2.0
Health and cultural services	15.0	16.8	15.0	14.8
Education and medical care paid from public funds	(10.8)	(12.3)	(10.5)	(10.2)
Savings (includes deposits in the savings banks)	6.4	6.0	7.3	10.3
Taxes and other payments	1.3	1.2	1.5	1.6
Other expenditures	11.7	13.0	13.7	13.8

Source: Narodnoye Khozyaystvo USSR 1985, pp. 418-419.

percent on transportation. Soviet statisticians do not supply separate data on housing expenditures by the Soviet families. Most of the collective farmers live in their own huts, while most of the city families live in government owned housing. Houses in the rural areas are small and most

of them without plumbing. Living quarters in the government owned housing are meager; therefore, Soviet families must be spending a smaller portion of their income on housing than American families do.²

Soviet families' spending on durable goods, such as home furnishing, bicycles, motorcycles, and automobiles, are about 7 percent compared to 8 percent that American families spend on transportation. But most American families own one or more cars. In the Soviet Union only a few selected families enjoy ownership of the car. Not many passenger cars are produced in the Soviet Union. Those who can afford to buy a new car have to wait several years for delivery. The average price of a Soviet automobile is about 3,200 rubles which is about four years of an average worker's wages.

Soviet statisticians include as a part of the budget expenditures on education, medical care and housing subsidies which account for 15 percent of the budget. These expenditures are not directly out of pockets of the families because these services are supplied by the government, and for this reason, actual percentages allocated to food and others are understated.

III. Personal Savings and the Savings Banks

The most interesting part of the family budget is savings. Savings include deposits in the savings banks, additions to poultry, cattle, and other personal products. Since individuals in the Soviet Union are not permitted to own productive property or inventories, the motivation for personal savings is probably not as strong as it is in the nations with free economic systems. Personal savings might be used for the purchase of a house, durable goods, or for "a rainy day." Soviet writers on savings claim that Soviet citizens do not need to save for "a rainy day" because the Soviet constitution insures its citizens the right to work, education and income in old age. Despite this claim, "rainy days" do exist in the Soviet Union. Old age pensions are too low to live comfortably at an old age. Besides, the incomes of the majority of the population are too low to afford to save a sizable amount for "rainy days." Nevertheless, personal savings play an important role for government economic planners. By 1985 there were about 79,000 savings banks, employing hundreds and thousands of workers.

Soviet savings banks offer several types of deposits to their clients. These deposits are: call deposits, time deposits, conditional deposits, lot-

² Author's observations while visiting the Soviet Union.

tery deposits, and deposits on current account. The most popular, the call deposit, permits the depositor to make a deposit or withdrawal at any time. The call deposit earns 2 percent interest per year. Less popular is the time deposit, whose minimum term is 6 months. It earns 3 percent interest per year. The conditional deposit is characterized by a written agreement between the depositor and the savings bank as to the conditions of deposit withdrawal. The characteristic of the lottery deposit is that the interest on this deposit is paid in the form of lottery prizes. On current account deposits, the depositor receives a book with blank checks instead of a savings bank passbook. When the depositor wants to withdraw his deposit, he writes a check and presents it to the bank. He can also pay his bills or make purchases by check. Since current accounts represent only 3 percent of total deposits, clearly, checking accounts are not an important means of payments. Most of the payments are done with currency. There is no data available on the amount of currency in circulation in the Soviet Union. There is no current data available on the break-down of the savings account, but it was reported in 1957 only 12 percent of all accounts in savings banks were kept in time deposit accounts with sizable balances, while the remaining 88 percent of accounts were kept in current deposit accounts, with very small balances per average deposit.³ Since there has been no change in the financial structure of the Soviet Union, we can assume that the distribution of savings deposit accounts would most likely remain in the same.

Table 4, Savings Banks and Savings Deposits in the U.S.S.R., presents the number of savings banks, the number of depositors, savings deposits, and average deposits from 1950 through 1985. Table 4 indicates a rapid increase in savings deposits and the number of depositors since 1968. Total savings deposits increased from 32 billion rubles in 1968 to 221 billion rubles in 1985, an increase of 591 percent, and the number of depositors increased from 68 million in 1968 to 171 million in 1985, an increase of 151 percent. Such an increase in savings deposits can be induced only by the dramatic increase in disposable income or a sharp increase in interest rates on savings deposit by the savings banks or a combination of both. Neither of these actually happened. There was no increase in interest rates on savings deposits, and disposable personal income did not grow at a dramatic rate. During the decade of the 1960's, disposable personal income in current rubles increased by 79 percent, during the 1970's, it increased 46 percent, and from 1980 through 1985, it increased by 15 percent. During the first half of 1980, the savings rate was about 4.5 percent of disposable personal income. For the American standard,

³ See Eremena (1958).

Table 4
SAVINGS BANKS AND SAVINGS IN THE U.S.S.R. 1950-1985

Year	Number of Banks (in Thousands)			Number of Depositors (in Millions)			Savings Deposits (in Million Rubles)			Average Deposit (in Rubles)		
	Total	Urban Area	Rural Area	Total	Urban Area	Rural Area	Total	Urban Area	Rural Area	Total	Urban Area	Rural Area
	1950	40.3	11.2	29.0	14.3	10.5	3.9	1.853	1.600	.207	125	152
1955	47.7	14.2	33.5	32.8	24.2	8.6	5.366	4.429	.903	163	183	105
1960	66.5	19.5	47.0	52.2	38.3	13.9	10.909	8.728	2.181	209	228	157
1965	73.1	22.3	51.3	57.4	42.2	15.2	18.727	14.028	4.699	325	332	309
1970	78.3	23.5	54.8	80.1	58.9	21.2	46.600	34.053	12.547	581	578	591
1975	79.9	24.1	55.8	106.6	78.9	27.7	91.0	66.1	24.9	858	837	900
1976	80.1	24.3	55.8	113.1	84.0	29.1	75.1	75.1	27.9	911	895	957
1977	80.4	24.6	55.8	120.0	89.3	30.7	116.7	85.3	31.4	972	954	1,025
1978	80.6	24.9	55.7	127.4	95.1	32.3	131.1	96.0	35.1	1,029	1,009	1,087
1979	80.5	25.0	55.5	135.5	101.4	34.1	146.2	106.9	39.3	1,080	1,055	1,154
1980	79.9	24.7	55.2	142.1	106.6	35.5	156.5	114.4	42.1	1,102	1,073	1,189
1981	79.7	24.6	55.1	147.8	111.2	36.6	165.7	121.2	44.5	1,122	1,090	1,216
1982	79.4	24.5	54.9	152.6	115.2	37.4	174.3	128.0	46.3	1,143	1,112	1,237
1983	79.0	24.3	54.7	158.1	119.6	38.5	186.9	137.6	49.4	1,183	1,151	1,280
1984	78.9	24.3	54.6	164.0	124.7	39.3	202.1	149.4	52.7	1,232	1,198	1,340
1985	78.5	24.1	54.4	170.8	130.4	40.4	220.8	164.1	56.7	1,293	1,259	1,404

Source: *Narodnoye Khozyaystvo USSR*, Moscow, 1955, 1960, 1965, 1970, 1972, 1974, 1976, 1980, 1982, 1984, 1985.

such a rate of savings is unusually high, taking into consideration that disposable personal income per capita for 1985 was about 1,300 rubles. Such a low income would qualify for the poverty level in the United States.

The question arises: what induces Soviet citizens to save? Are the savings in the savings banks voluntary or are they forced? According to savings bank officials, the Soviet people save with the intention of buying dwelling houses and consumer goods like televisions, automobiles, motorcycles, furniture and also for patriotic reasons such as promoting industrial and cultural development of the country. They say that the savings deposits promote industrial and cultural development because these deposits are a source of funding for the state. The state can take these funds simply by issuing credits to the savings banks. These officials also claim that savings deposits strengthen the ruble. Savings deposits in this case serve as an adjustment of the quantity of consumer goods supplied and quantity of goods demanded. When the amount of disposable money income exceeds the value of consumer goods and services available, the savings banks prevent inflationary expectations by extracting the surplus cash. Since prices are government controlled they cannot be varied by supply and demand in order to absorb surplus cash. The inflationary pressures are partially reflected in the collective farm market prices.

IV. Collective Farm Market Prices

Prices on the collective farm market are free and are determined by the relative forces of supply and demand. This market has provided only a small share of the retail goods available in state shops, but its share of food sales is larger, especially for fresh vegetables, fruits, meats and dairy products. The interesting feature of the market is that it alters the supply function. Consumers may buy all the goods they want in state retail stores at fixed prices, but only to the limits of planned retail sales. If they want to buy more, they may do so at higher prices in the collective farm market. If there is a shortage of consumer goods in state retail stores, there will be increased demand for such goods in the collective farm market. Increased demand will cause the price and the quantity of goods supplied in this market to rise. An increase in the supply of goods in state retail stores will have an inverse effect on demand and prices in the collective farm market. This free market serves as an index of the scarcity of consumer goods in the state shops. Therefore, such variables as retail store sales and collective farm market prices are expected to be inversely related.

Table 5, State Retail Stores Price Index, Collective Farm Market Price

Index, Flow of Savings, and Inflow of New Depositors, shows the collective farm price index and state retail price index. Table 5 shows there were sporadic sharp increases in the collective farm market prices during the 1970's and early 1980's. During this period collective farm market prices more than doubled. The state stores retail prices remained virtually unchanged from 1954 until 1979. Since 1979 there were slight increases in the state retail prices. Major increases in the state retail store prices were for alcohol and beverages.

In order to reduce the inflationary pressures in the economy, the economic planners will attempt to boost the flow of savings into savings banks. As long as the flow of savings is increased, spending on consumer goods is reduced. The total amount of savings for a given year is formulated in the plan and the function of the savings banks is to see that the plan is fulfilled and overfulfilled. Savings banks officials, in turn, impose heavy pressure on the population asking them to make deposits or pledge part of their wages to the savings banks. Posters, leaflets, slogans, movies, radio and television lectures are used for campaigning. Special text books have been prepared and classes for training of campaigning workers are organized. On May 7, 1985, the Ministry of U.S.S.R. issued new rulings to the state banks and the savings banks. The ruling states that in order to overcome widespread alcoholism, the savings banks are instructed to widen the practice of cashless payrolls. Workers on payday, instead of receiving their pay in cash, would receive it in the form of savings deposits.⁴ Savings banks' employees are actively campaigning among factory and state farm workers to assign their wages to the savings banks. Savings banks' employees are forced to be active and efficient, as any one of them can be blamed openly on the pages of the central organ of the savings bank for the lack of efficiency.

Such a large inflow of deposits to the savings banks aroused a debate among Soviet economists on the role of the deposits in the Soviet economy. Some of them argue that all the savings deposits in the savings banks represent "postponed demand" for goods and services. Others argue that only the incremental portion of savings deposits where the rate of growth of savings deposits exceeds the rate of growth of personal income or retail store sales represents postponed demand. Still others point out that postponed demand is made up of those savings accounts which are accumulated in sufficient amounts and ready to be spent on the desired commodities or services. The most recent and most radical proposal came from the leading Soviet economist Nikolay Shmeyow. He proposed an experimental sale of shares in the Soviet industry to the public as

⁴ See Panova (1987), p. 44.

Table 5

STATE RETAIL STORES PRICE INDEX, COLLECTIVE FARM MARKET PRICE INDEX, FLOW OF SAVINGS, INFLOW OF NEW DEPOSITORS

Years	State Retail Stores Price Index 1940 = 100	Collective Farm Market Price Index 1940 = 100	Flow of Savings (in billion Rubles)	Inflow of New Depositors (in million) Rubles)
1950	186	104	.40	2.7
1955	138	111	.43	3.4
1960	136	97	.85	2.2
1965	140	117	3.02	2.4
1970	139	134	8.20	7.1
1975	139	183	12.10	6.6
1976	139	187	12.00	6.5
1977	139	195	13.70	6.9
1978	140	277	14.40	7.4
1979	142	284	15.10	8.1
1980	143	305	20.30	6.6
1981	145	313	11.20	5.7
1982	150	330	8.60	4.8
1983	151	328	12.60	5.5
1984	149	323	15.20	5.9
1985	150	335	18.70	6.8

Source: State Retail Stores Price Index was obtained from the annual statistical yearbooks on National Economy of the S.S.S.R. Collective Farm Market Price Index was calculated from the values of collective farm market sales in actual prices and the values in state retail store prices. Flow of savings and the inflow of new depositors was calculated from Table 4.

part of "perestroika." He pointed out that the share sales would put to use personal savings which have grown to 220 billion rubles. The sales of shares would benefit both the state and the owners. Communist Hungary and Yugoslavia have already floated their first industrial shares and share selling is widespread in China under that country's economic reform.⁵

From such arguments we can conclude that the Soviet economists are concerned about the inflationary impact that these deposits might have. Since large portions of savings deposits are represented by call accounts

⁵ Investor Daily, December 17, 1987.

which can be withdrawn by depositors on demand, technically such deposits could be considered as a part of the money supply. Such a rapid increase in the money supply without a corresponding increase in goods and services would cause the price on goods and services to rise. This cannot happen in the Soviet Union since goods and services sold in government retail stores are fixed by the government. Most of these goods are for bare necessities and of poor quality. For example, before Mikhail Gorbachev's arrival in the United States, he ordered, for himself, several business suits from Italy. Goods of good quality and some services of skilled labor can be purchased unofficially (or as the Russians say "na levo") outside the government retail stores, but of course, at higher prices. And it is in this market where inflationary pressures can be observed.

V. Summary and Conclusion

Savings banks and the collective farm market are used as vehicles in balancing the supply and demand for consumer goods and services in the Soviet Union. Savings in the savings banks are neither forced nor spontaneous. Government persuasion to save seems to be effective. By such methods, the Soviet government, for a long period of time, devoted a large portion of its economic resources to heavy industry and defense, leaving the consumer sector of the economy neglected.

Since the Soviet ruble is not traded on the foreign exchange market, it is difficult to compare its buying power to the U.S. dollar. An official exchange rate is \$1.60 to one ruble, but one U.S. dollar can buy four rubles unofficially in Western Europe. By any measure, per capita disposable personal income of 1,300 rubles in 1985 seems very low compared to per capita disposable personal income in the United States or in Western Europe.

With its military might, space technology and vast natural resources, the Soviet Union is considered as the world superpower. It might become embarrassing to the Soviet leaders to see that the standard of living of its citizens is comparable to the standard of living in developing nations. Furthermore, successes of economic reforms in China could have motivated the Soviet leaders to introduce economic reforms. Will this economic reform succeed? Not immediately. The present economic structure has existed for such a long time, it probably will take a long time for its reconstruction and eventual success.

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