

**THE RISE, FALL AND POST-SOVIET  
TRANSFORMATION OF THE RURAL SOCIAL  
CONTRACT**

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## **Abstract**

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A popular approach to the understanding of post-Stalin Soviet society involved the concept of a “social contract. The Soviet regime, it was argued, pursued policies that increased the security and standard of living of the population. In turn, the population delivered political compliance and support. During the post-Soviet period, the state financial support for the rural sector declined, and rural living standards plunged. But, the rural population remained politically quiescent, just as it had in the last decades of Soviet rule. This paper argues that rural political quiescence was the result of the emergence of a new social contract, as the state’s willingness and capacity to uphold the previous contract declined. The nature of the contract changed from an exchange of “dependency/economic collective goods for quiescence” during the Soviet period to “increased economic independence for quiescence” in the contemporary period.

## **Introduction**

Following the death of Stalin, scholars in Soviet studies searched for new approaches to explain and understand state-society relations. The further the regime moved from the Stalin period of rule, the less the totalitarian model accurately characterized Soviet politics. As a result, during the 1970s and 1980s in Soviet studies the social contract approach gained popularity, arguing that an implicit exchange existed between the Soviet regime and society. The social contract approach argued that political support for the regime was contingent upon the regime providing economic and social security; each side delivered something the other desired.

In particular, it was argued that the Soviet regime pursued policies that improved the availability of consumer goods, increased wages, provided job security, and increased the standard of living for the population. In turn, the population delivered political compliance and support (see Bialer, 1980; Lapidus, 1983, esp. pp. 158-65; Hauslohner, 1987, esp. pp. 54-89; Connor, 1988, esp. pp. 67-85; Hewett, 1988, esp. pp. 39-50; and Cook, 1993). If the state did not deliver these “goods” it risked discontent and the loss of legitimacy (Cook, 1993, p. 3).

One of the earliest scholars to direct our attention to the link between political stability and economic well-being concluded that “the regime’s performance in the Brezhnev era goes far to explain Soviet stability” (Bialer, 1980, p. 157). In essence, the social contract approach posited an evolution of the Soviet state from one in which political support was compulsory to one in which political support was conditional and performance-based, a basic belief of John Locke and Jean-Jacques Rousseau.

Two approaches within the literature on revolution would predict social instability in Russia during the 1990s. The Marxist theory of revolution predicts that a population will become revolutionary after suffering a pronounced and extended decline in its economic status until such time as its miserable condition becomes unbearable. Relative deprivation theory predicts that when need fulfillment does not fit with psychological expectations, a population may become rebellious. After years of improving standards of living during the Soviet period, followed by a sharp downturn in consumption in the early 1990s, these two conditions fit the Russian population.

Perhaps for this reason, as the Soviet era social contract deteriorated, several Russian and foreign observers predicted that a “social explosion” would occur in Russia. At the very least, the end of the contract, or the withdrawal of the state from its end of the bargain, would lead to the withdrawal of quiescence by the population. The greater the departure from the social contract, the greater the expected withdrawal of compliance.

We should note, however, that the social contract approach always was more a theory of stability than one of rebellion, unrest, or even revolution. The purpose of this article is to analyze sources of rural stability in Russia through the prism of the social contract. The analysis will allow us to understand why the Russian countryside was quiescent during the 1990s. Some analysts point to rural “resistance” during the reform period (Leonard, 2000), but no social explosion occurred, and organized rural protests have been weak and ineffectual.<sup>1</sup> There is very little evidence of withdrawal of compliance (although the evidence may be interpreted in different ways).<sup>2</sup> Indeed, the real story during the transition period is that the countryside was largely quiescent, even during a period of precipitous decline in rural living standards.

If we assume that material and psychological well-being are basic conditions for stability, how do we explain rural quiescence in post-Soviet Russia? At first glance, a combination of factors would seem to have led to an explosive situation as market reforms were introduced in Russia: (1) direct state control over the countryside became weaker due to deliberate policy measures and state withdrawal, discontinuing the trend from the Soviet period; (2) state coercive capacities diminished as repressive organs were difficult to deploy; (3) opinion polls and survey data showed that rural attitudes were at best more ambivalent, and often more opposed, to the consequences of market reforms than attitudes in cities; and (4) the most vociferous opponents of economic reform drew their electoral support from rural areas. The combination of an emasculated state, vocal rural leadership opposed to reform, and rural conservatism would seem to portend rural instability. Yet, mass protests did not occur, and, in general, the countryside was quiet. Why? The answer is that a transformation of the rural social contract – the basis of stability during the Soviet period – occurred.

During the Soviet period, the welfare of the rural sector was dependent upon state policies, state financial support, and state commitment to improving rural life, which in turn were implemented through various administrative levels. The most direct point of contact for the state was the state or collective farm. The farm was the state's direct representative and implementor of rural policies. Rural villages, households, and individuals were directly dependent upon the farm for their welfare. Thus, prior to the transformation of the social contract, the main characteristic of the rural social contract was the direct link between rural dwellers and the state, and the dependency of the former on the latter.

During market reforms in the post-Soviet period, the state withdrew from its previous roles in the rural sector, partly out of need, and partly due to a conscious policy decision (Wegren, 2000). This withdrawal meant that financial support and commitment to the rural sector declined, with consequences for rural standards of living. As state willingness and capacity to uphold the previous social contract declined, a transformation in the nature of the contract occurred. It is precisely this transformation which helps explain rural quiescence during the 1990s.

This transformation involved, first of all, the substitution of dependence upon the state for market-based opportunities. Rural dwellers became less dependent upon the farm for their welfare and adapted by searching out opportunities to maintain or improve their welfare, opportunities that were created by market reforms. The nature of the "contract," therefore, changed from an exchange of "dependency/economic collective goods for quiescence" during the Soviet period to "increased economic independence for quiescence" in the contemporary period. Importantly, whereas the Soviet social contract had been imposed from above, the transformation and redefinition of the rural social contract has occurred from below. This transformation appears to have started about mid-decade, after the initial shocks of 1992-1993 had passed.

The old Soviet social contract is no longer tenable. The post-Soviet state cannot return to the past to compel compliance, lacking the financial resources – and the coercive mechanisms – to reconstruct the Soviet social contract. The transformation of the rural social contract was an important aspect of rural stability in the 1990s and will continue to be so in the future. Thus, I will argue that the rural social

contract has fundamentally changed, and it is the nature of this transformation that explains rural quiescence.

The rural social contract has traversed at least four distinct phases in the post-Stalin period. First was the rise of the rural social contract, as rural standards of living improved during the 1960s and the 1970s. The second phase was the decline of the rural social contract during 1989-1994. Especially during the first half of the 1990s, rural dwellers bore the brunt of misery during market reforms. The third phase was the transformation of the rural social contract, from state-dependence to independence from the farm between 1995 and continued to the end of the Yeltsin period. The fourth phase, dating from the beginning of the Putin period, is the consolidation of the new social contract. The exact time periods assigned to these phases are meant to be indicative rather than absolute and inflexible.

The four phases of the rural social contract correspond to sections in the article. The first two sections briefly review economic trends during the rise and fall of the rural social contract. The third section centers on the transformation of the rural social contract. The fourth section analyzes the consolidation of trends evidenced in the third section. The Conclusion summarizes what the analysis portends for Russian society, and in particular, rural stability.

### **The rise of the rural social contract**

The social contract approach, despite some limitations,<sup>3</sup> was a generally useful approach for understanding state-society relations during the Khrushchev and Brezhnev periods. The rural standard of living improved dramatically, including basic indicators of rural life.<sup>4</sup> This was a time of societal stability and rural quiescence, standing in sharp contrast to the upheaval, violence, and rural protest experienced during the Stalin years (Fitzpatrick, 1994).

Khrushchev set out to modify, if not reverse, many of the discriminatory aspects of Stalin's rural policies. For example, purchase prices for agricultural production were raised and state investments in the agricultural sector grew. As a consequence, farm incomes increased, farms became more profitable, and productivity improved.

The most important changes in rural social policy began under Brezhnev.<sup>5</sup> Rural life in the Soviet Union lagged significantly behind urban life on most qualitative measures. Much of the progress during the 1960s and 1970s was an attempt to close the gap with urban standards of living; and most analysts agree that although progress occurred, rural socio-economic conditions remained inferior. For our purposes, the important point is that, beginning in 1965, the state adopted *sblizheniye* (reducing the differences between the city and the countryside) as an explicit policy goal. The material well-being of the rural dweller was a common theme in policy speeches throughout Brezhnev's tenure (see Darchiyev, 1981; Shepot'ko, 1981).

Although changes in rural social policy during the Brezhnev era were wide-ranging, perhaps the most notable aspect was the increase in state capital investments to unprecedented levels. From Brezhnev to Gorbachev, that is, during 1966-1985, nearly 600 billion rubles were invested in the agricultural economy (1987 rubles). This amount contrasts with state investments in agriculture of 91 billion rubles for the whole of the previous Soviet period up to 1966 (*Narkhoz za 70 let*, 1987, p. 276).<sup>6</sup> Increases in state investments had beneficial effects on the rural economy, as farm output grew steadily, and farm profitability and incomes increased. Increases in state investments also led to higher levels of retail trade turnover and improved rural infrastructure (Nikiforov, 1988, pp. 58-65). Even during the first half of the 1980s, when economic growth slowed considerably, state plans prioritized rural localities and rural standards of living. By the end of the Brezhnev era, 27 percent of state capital investments was flowing into the agro-industrial complex each year.<sup>7</sup>

During the rise of the rural social contract, individuals, as well as the agricultural sector as a whole, benefited. There is a consensus that rural standards of living increased significantly after 1965 (Evans, 1981, pp. 38-61; Tyurina, 1982; and Schroeder, 1983, pp. 241-57). In 1966 collective farm workers were brought into the state social security system which provided minimum income standards and made farm workers eligible for state pensions.

One measure of the improvement was in the relationship between urban and rural incomes. In 1965 the average monthly income for a *kolkhoznik* was slightly over 51 rubles a month, while workers and employees in industry averaged over 95 rubles per month (*Trud v SSSR*, 1988, p. 143). In 1987, the average *kolkhoznik's* monthly income reached over 170 rubles a month, an increase of over 330 percent. In the same year, the average



monthly income of an industrial worker or employee had grown to 203 rubles, or just over twice the 1965 level. Collective farmers' incomes, therefore, increased much faster than incomes for industrial workers.<sup>8</sup>

In addition, farm workers' incomes increased relative to incomes in the national economy as a whole. For example, in 1965 collective farmers' incomes were about 61 percent of the national monthly average. In 1987, collective farm incomes had increased to 84 percent of the national average (*Trud v SSSR*, 1988, pp. 143, 148-49). Thus, during the 1970s and up until the late 1980s, real rural incomes grew at a faster rate than urban incomes (see *Kolkhozy SSSR*, 1988, p. 182).<sup>9</sup>

Of course, wages and transfer payments from the state were but one (although the most important) component of rural incomes. Another important part of the rural social contract during the Brezhnev period was the liberalization of policy toward family subsidiary plots. Almost immediately upon coming to power, Brezhnev reversed many of the restrictions that had been placed on subsidiary plots during the latter Khrushchev period (see Wegren, 1998, pp. 33-48). Brezhnev's "reforms" toward subsidiary plots led to somewhat larger average sizes of plots, more land used for subsidiary farming, more animals per plot, and more gross output from this nonstate sector.

Although Soviet families tended to consume about 90 percent of the food produced from their plots, the sale of privately grown food through the cooperative network, or more commonly, through urban farm markets, was an important supplement to households' incomes (Samsonov, 1988, pp. 7-14; and *Lichnoye podsobnoye khozyaystvo*, 1989, pp. 67-69). In the 1970s, income from subsidiary plots comprised about one-third of the family income for collective farmers. As wage rates paid by the farm increased this percentage decreased, but plots still accounted for about 23-25 percent of family income as late as the mid-1980s (*Kolkhozy SSSR*, 1988, p. 182).

The rise of the rural social contract was also characterized by an increase in availability of consumer goods in rural areas.<sup>10</sup> For example, rural ownership of durable consumer goods increased during the 1960s and 1970s, both in absolute terms and relative to urban ownership (Schroeder, 1983, pp. 247-50). Rural households' possession of both large durable consumer goods (refrigerators, washing machines, motorcycles, television sets, and vacuum cleaners) and smaller consumer goods (watches, radios, cameras, and sewing machines) increased relative to urban rates of ownership (Evans, 1981, pp. 48-49).

Finally, there was also an improvement in the provision of three types of rural services. First, there was improvement in rural housing amenities, such as running water, hot water, indoor plumbing, central heating, electricity, and telephones. Still, rural housing continued to lag behind the level of amenities existing in urban housing.

The second type of service consisted of “everyday services” (*bytovye uslugi*), which included laundry, dry cleaning, barbers, photographers, repair services, tailors, and home repair. The evidence on these services is fragmentary but suggestive; Schroeder reminds us that the Soviet data were misleading because many rural services were provided to enterprises, not individuals. Nonetheless, it is clear that there was a concerted effort made by the Communist Party to improve rural services in the ninth and tenth Five Year Plans. In 1965 there were 80,000 service enterprises in rural areas throughout the USSR, a number which increased to 111,000 in 1979 (Darichev, 1981, p. 47). Another indicator was the fact that from 1965 to 1980, ruble expenditures for services in rural areas of Russia increased more than 522 percent, surpassing the percentage increase in Russian urban locales, even though the urban population was growing and the rural population was declining (this was also a period of low or non-existent inflation) (*Narkhoz za 60 let*, 1977, p. 572; *Narkhoz za 70 let*, 1987, pp. 503, 505).<sup>11</sup>

The last type of service was communal services, such as education and health care, which were almost entirely financed and provided by state enterprises. During the 1960s and 1970s, the rural population made significant gains in education levels. From 1959 through 1979 the growth rate in the number of rural individuals with a higher education exceeded that for urban individuals; and the same was true for secondary education. By the beginning of the 1980s, the urban population was still better educated – 779 urban persons per 1000 with a higher or secondary education (complete or incomplete), as opposed to 568 rural persons per 1000 – but the gap had closed significantly (*Narkhoz za 70 let*, 1987, p. 524).<sup>12</sup>

With regard to health care, quantitative improvements were made in the number of doctors per 1000 rural dwellers, in the number of hospitals and hospital beds, and the number of medical facilities. The main problems continued to be access to medical facilities, their quality of service, and how well supplied they were with necessary medicines.

In sum, during the rise of the social contract, material and social conditions in rural areas improved, although they often lagged urban conditions. It is important to note that the reason for this improvement was the

orientation of the state toward the rural sector and the nature of the state's rural policies. That is to say, the improvement in rural standards of living resulted from state policies (from above) more than actions or behaviors by rural households (from below).<sup>13</sup> This fact that created dependency ties between the state and households. The growing dependency of households on the state policies for their welfare is evidenced by the fact that family income of a collective farm worker was fundamentally restructured. During 1953-1960, for example, only about 17 percent of monetary income came from farm work, and 40 percent came from sales of produce raised on the household plot. In 1960, 41 percent of monetary income came from the farm, and only 28 percent from the sale of produce (Verbitskaya, 1992, pp. 142-143). These trends continued throughout the 1960s and 1970s and into the 1980s. The rise of the social contract was linked to state policies, and so was its fall.

### **The fall of the rural social contract**

While the rise of the rural social contract unfolded over the course of more than two decades, the fall was rapid and dramatic, occurring in the span of about five years (1989-1994). The introduction of market reforms, first hesitatingly during 1990-91, and then in full force in 1992, led to significant declines in the rural standard of living and a growing gap between urban and rural conditions (Evans, 1996). According to several indicators, the rural sector was the biggest loser of all during the introduction of market reforms (see Wegren and Durgin, 1995).

Rural capital investments from the federal budget declined, thus reversing trends evidenced during the rise of the rural social contract. Rural capital investments as a percentage of all federal investment monies declined from 18 percent of the national budget in 1991 to five percent in 1994 (in constant rubles).<sup>14</sup> The consequences of declining federal investments were threefold. First, farm enterprises assumed a greater portion of responsibility for rural capital investments. In 1994, the "basic source of financing construction projects [was] the resources of the agricultural enterprise itself" (*Sotsial'no-ekonomicheskoye polozheniye*, no. 12, 1995, p. 65). By 1996, it was reported that farms were financing 65 percent of rural capital investments, a percentage that increased to 83 percent in 1999 ("Sel'skoye khozyaystvo Rossiyskoy Federatsii v 1996-1999 godakh," 2000, p. 23).

Second, burdened with high levels of debt, unprofitability due to price disparities with industrial and manufactured inputs, and increased production costs combined with lower levels of direct subsidization, most agricultural enterprises were in no position to fund rural infrastructure projects, and thus rural infrastructure declined. Third, as federal investment monies for rural infrastructure declined, greater responsibility for capital investments also fell on regional budgets. However, regional administrations were hardly more capable than farms or the federal government to fund capital investments for rural infrastructure.

As a result, the construction of rural infrastructure became a fraction of previous levels. By the end of 1994 the construction rate of rural dwellings and rural schools had been halved, and the construction of rural roads was one-third, compared to levels (Terent'ev, 1995, p. 61). By 1996, the construction of rural kindergartens had declined by a factor of 14, hospital beds by a factor of five, and clubs and recreational facilities by a factor of eight (Petrikov, 1998, p. 164).

In addition to deteriorating infrastructure, a significant decline in rural services occurred during the first half of the 1990s. Social services were curtailed, rural schools, clubs, and other service and recreational facilities were closed. It is no wonder that when asked about their material condition, only 10 percent of workers on strong agricultural enterprises, 6.5 percent on average farms, and six percent on weak farms responded that their situation had improved since reform was started (Petrikov, 1998, p. 164).

At the individual or household level, during the early 1990s it is commonly accepted that rural standards of living declined along many dimensions and family material conditions deteriorated. We should note in passing that this argument is not universally accepted. Eugenia Serova has argued that the rural standard of living actually declined less than the urban standard of living, and some evidence supports this view.<sup>15</sup> It is difficult to know exactly because this is a complex question and many variables must be taken into account. Complicating the analysis is the fact that rural incomes – and more generally the rural economy – became increasingly demonetarized during much of the 1990s and only after 1998 did monetarization increase again.

Demonetarization meant that farm members often received a significant portion of their income from payments in-kind. A demonetarized income system makes it very difficult to measure standards of

living. However, for indicators that can be measured quantitatively, it does appear that rural socioeconomic conditions deteriorated during the first half of the 1990s. For example, Table 1 shows that the presence of household amenities in rural housing actually declined during the decade 1988-1997.

**Table 1: Percentage of Rural Households with Amenities,\*1988 and 1996 (end of year)**

	<b>1988</b>	<b>1996</b>
Running Water	44%	34%
Sewage	33%	25%
Central Heat	34%	25%
Bath/shower	28%	21%
Hot Water	16%	14%
Gas	77%	74%
Electric Stove	3%	2%

\* Includes state, municipal, and private sectors of housing.

Sources: *Sotsial'noye Razvitiye SSSR*, 1990, p. 206; Petrikov, 1999, p. 39.

Perhaps the most notable indicator during the late 1980s and early 1990s was the fact that rural incomes (from salaries) became highly differentiated from urban incomes. In 1990, on average, a collective farm worker received 88 percent of the monthly monetary income of an industrial worker, and a state farm worker received 104.5 percent (*Narkhoz 1992*, 1992, pp. 405-408). By the end of 1994, a worker in agriculture received an average of 49 percent of the monthly income from wages as did an industrial worker, and 50 percent of the national average monthly income (*Trud i zanyatost' v Rossii*, 1995, p. 49).<sup>16</sup> The decline of rural incomes relative to other branches of the economy is illustrated in Table 2.

**Table 2: Rank Order of Average Monthly Income from Salary and Wages, 1990 and 1995**

<b>Branch of Economy</b>	<b>1990 Rank</b>	<b>1995 Rank</b>
Industry	6	5
Agriculture	7	13
Forestry	10	10
Construction	2	3
Transportation	4	2
Communications	9	4
Trade	8	8

Health Care	11(tie)	9
Education	11 (tie)	11
Culture and Arts	12	12
Science	5	7
Credit, Finance, Insurance	1	1
Bureaucracy	3	6

Source: Author's calculations; *Trud i Zanyatost' v Rossii* (1996), p. 96.

The table shows that at the beginning of the 1990s, agricultural monthly incomes ranked about in the middle when compared to other branches of the economy. By mid-decade, agricultural incomes fell in the rankings more than any other branch and comprised the lowest average monthly income. As a result, in 1998 almost one-half of the rural population has an income below the minimum subsistence level, as defined by the Russian government (Bondarenko, 2000, p. 69). Not only did income urban-rural differentials widen, but rural incomes became increasingly demonetarized. As farm debts rose, farm managers were forced to pay salaries with produce in-kind due to a lack of cash.<sup>17</sup>

A second aspect in the decline of rural living standards was rural unemployment. National unemployment data are notorious for their inaccuracy. Analysts agree that the unemployment problem in Russia was and is most likely understated because only a small percentage of unemployed persons actually register for state assistance, owing to the fact that assistance is so inadequate. Thus, the actual number of unemployed is much greater than official statistics would suggest.

Rural unemployment increased disproportionately. During 1992-1994 rural unemployment grew by more than 370 percent, and in 1994 alone it doubled. During this period, nearly two-thirds of rural unemployment occurred in five economic regions: the Central Region,<sup>18</sup> the Volga Region, the Northern Caucasus Region, the Urals Region, and the Western Siberian Region.

Significantly, rural unemployment became a problem even in the most productive agricultural regions. For example, in the Volga Economic Region during 1992-1996, rural unemployment increased 2,700 percent. Between 30-40 percent of the rural unemployed were persons younger than 30. While about one-half of the rural unemployed left their place of employment on their own, more than a quarter

were released due to reductions in farm labor as a consequence of decreased production (Kruglikov, 2001, p. 55).

In fact, it is estimated that the actual number of rural unemployed is two to 2.5 times higher than official statistics show (Petrikov, 1998, p. 166). Estimates ranged between 1.8-2.0 million rural unemployed in 1994, a number equal to about 33-37 percent of total unemployment at the end of the year (Mashenkov and V. Malakhova, 1996, p. 19).<sup>19</sup> Stated differently, rural unemployment was at least 2.5 times more than the size of its composition in the national work force.

The upper estimate of two million rural unemployed equaled 20 percent of the number of persons actually employed in agricultural production in 1994. Importantly for the future of the countryside, the rural young (those persons less than 30 years of age), accounted for over one-third of rural unemployment in 1994. Among the rural young, the age group most affected by unemployment were those between 22-29 years of age (Mashenkov and V. Malakhova, 1996, p. 20). Ironically, rural in-migration, which increased the rural population during 1992-1995, exacerbated the unemployment problem (Wegren and Drury, 2001).

The aspects of rural social policy examined above contributed to socio-demographic problems in the Russian countryside. In particular, several trends emerged that represented reversals of Soviet-era patterns. These trends included, first, a change in the population's natural increase coefficient from positive to negative. In 1990, the rural natural increase coefficient was +2.2, but deteriorated to -6.1 in 1994. In simpler terms, in 1992 the number of rural deaths began to outnumber rural births for the first time in decades (even as rural areas experienced net in-migration and an increase in total population). The number of live births per 1000 rural women aged 15-49 decreased from 80.6 in 1989 to 51.7 in 1994. Second, life expectancies decreased, from 68.4 in 1989 to 63.1 in 1994 for rural males, and from 74.1 in 1989 to 70.8 in 1994 for rural females. Third, rural infant mortality increased by ten percent during 1990-1994. Finally, rural deaths from virtually every kind of disease (circulatory, respiratory, infectious, and digestive) increased, as did rural suicides, rural homicides, and rural alcohol poisonings (for data on each of these trends see *Demograficheskiy ezhegodnik Rossii*, 1995, pp. 67, 89, 192, 223, 323).



## **The transformation of the rural social contract**

Evidence in the previous section strongly suggests that the Soviet-era rural social contract ended, or at the very least was rendered untenable during the early reform years. Yet, the countryside was quiet. Why? Part of the reason has to do with the strategy of reform adopted by the state. I would argue that the egalitarian method of land distribution was important in providing rural dwellers with a stake in reform, even as their standard of living was deteriorating (see Wegren, 1997, pp. 959-987). It is well to remember that Russian land distribution during the formative post-Soviet years operated in the following manner:

1. All farm members, pensioners, and service personnel on large agricultural enterprises (former state and collective farms) were given land shares of equal size, irrespective of age or ability to use the land productively. The driving idea was to privatize land, assuming that “the market” would guide the transfer of land to the most productive users at some future point.

2. Any farm member or family was permitted to leave a parent farm with free land and property assets in order to start a private farm.

3. Oblast and raion land funds were created for the distribution of free land for persons wishing to start private farms.

4. Family subsidiary plots, collective orchards and gardens, and dacha plots were eligible to be privatized (converted to private ownership) upon payment of a small administrative fee. All size and use restrictions were removed.

The distribution of land shares and privatization of land plots – although their individual size is quite small – has been important for providing landowners with a stake in the system, and for providing a means of subsistence for the population. Both of these aspects of distribution supply the system with stability.

Beyond the state’s political strategy in land distribution, the most important factor contributing to rural quiescence has been the transformation of the rural social contract. During the rise of the rural social contract, rural dwellers were dependent upon state policies for much of their welfare. When the state adopted pro-rural policies, rural standards of living increased. During market reforms, limited state

resources and a priority on urban standards of living contributed to significant declines in the rural standard of living. The key point during these two periods was dependence of rural people on the state for their welfare (as implemented through the farm).

As market reforms unfolded in the early 1990s, the dramatic decline in the rural standard of living brought significant pressures to adapt. Alongside the decline in rural living standards, transformative processes were underway which redefined the nature of the rural social contract. This transformation of the social contract was necessary for the survival of rural households because dependence on the state was no longer a tenable strategy, for both financial and political reasons (Wegren, 1996, pp. 23-34).

The nature of the rural social contract changed in three important ways: (1) the “contract” was changed from below, not above; (2) rural households became less dependent upon the state for their welfare; and (3) the content of the “contract” changed. In particular, the content of the contract changed from the Soviet era exchange of increasing standards of living for quiescence/compliance. Starting in about the mid-1990s, the exchange was one of increased economic freedom for political quiescence/compliance. The redefinition of the rural social contract dates from 1995 and continued until the end of the Yeltsin period.

At the national level, macro-economic data indicate continued deterioration in rural investments, incomes, unemployment, goods and services, and the socio-demographic situation. Each of these aspects will be reviewed in turn.

1. State capital investments in agriculture continued to decline, falling from five percent in 1994 to 2.9 percent in 1999 (*Rossiyskiy statisticheskiy ezhegodnik*, 2000, p. 547).<sup>20</sup> Likewise, investments in agriculture from enterprises and organizations decreased significantly. In 1993, for example, the agricultural sector (not including food processing) was the recipient of 4.3 percent of all investments (long and short term) made by enterprises and organizations, a number that fell to .58 percent in 1999 (*Rossiyskiy statisticheskiy ezhegodnik*, 2000, p. 545).<sup>21</sup>

2. During the second half of the 1990s, the urban-rural income divide widened in two important respects. First, rural incomes were more demonetarized, a consequence of financial conditions on farms. Second, average rural incomes (from salaries) continued to decline relative to industrial incomes. As was

indicated above, the average monthly rural income was 49 percent of an industrial worker in 1994 (*Trud i zanyatost' v Rossii*, 1995, p. 49). In 1998, that figure had fallen to 39 percent (*Trud i zanyatost' v Rossii*, 1999, p. 309). The divergence was partially compensated by increased income in-kind and sales of household produce.

3. Official statistics show that rural unemployment continued to increase – by about 77 percent during 1994-1999. Overall, rural unemployment increased faster than urban unemployment since the start of market reforms (Vlasova, 2001, p. 61). According to official data, in 1998 the rural employed equaled one-quarter of the rural work force (*Trud i zanyatost' v Rossii*, 1999, p. 61; Vlasova, 2001, p. 61). During 1994-1999, the number and percentage of rural unemployed who registered for assistance declined, which means that the real growth rate of rural unemployment was even higher than official statistics indicate.

4. There is very little evidence to suggest that the provision of rural goods and services improved during the second half of the 1990s. Indeed, survey data show that rural households' level of satisfaction with their material condition, goods and services, as well as village life, declined throughout the decade and did not improve until after Yeltsin left office.<sup>22</sup>

5. Finally, the rural demographic situation continued to deteriorate. In 1994, the total rural population was growing, due to in-migration from the “Near Abroad”. Starting in 1995, however, the rural population resumed its decades-long decrease, continuing through 1998. The population's natural increase (the ratio of births to deaths per 1000 persons), which was -6.1 in 1994, improved to -5.4 in 1998 before falling to -7.0 in 1999. Rural male life expectancies declined, from 63.1 in 1994 to 58.6 in 1999. Rural infant mortality rates, which had reached 21.4 and 20.1 per 1000 births in 1993 and 1994 respectively, remained high at 18.8 in 1999. During the same period, the percentage of rural births to unmarried women increased almost 50 percent: from 20 percent of all rural births in 1994 to 29.5 percent in 1999. Last, with regard to rural deaths from various diseases, by 1999 there was some improvement in comparison to 1994, but compared to the pre-reform period the numbers remained very high (*Demograficheskiy ezhegodnik Rossii*, 2000, pp. 21, 83, 105, 149, 224).

Thus, there is very little in national level data to suggest a transformation of the rural social contract. But the national data obscure the changes that took place at the household level, where important changes were underway. Survey data provide evidence that households were adapting to market conditions on their own, thereby redefining the nature of the rural social contract.<sup>23</sup>

Specifically, rural households were reducing their dependence on the state (through the farm) for their welfare, relative to previously high levels of dependence during the Soviet period. This was a partial change – it affected certain aspects of rural welfare, but not others. Above all, as we will see below, household incomes became less dependent upon farm salaries and other state transfers. In other respects, for example, the provision of services, there was some movement away from state dependence towards using social networks and nascent privately owned businesses (O’Brien, Patsiorkovski, Dershem, 2000, chap. 6). However, these options were limited and often rudimentary, and for the most part rural households remained highly dependent upon farm services.

Turning first to the sources of household income, it is evident that as the rural social contract deteriorated, the sources of rural household incomes changed. Three trends emerged: (1) households received more income from private business activities; (2) households received more income from sources other than farm wages or transfer payments, such as private plot production or land leasing; and (3) households received more income from food sales. Compared to the Soviet period, the proportion of household income derived from farm wages declined. These trends are illustrated in Table 3.<sup>24</sup> The analysis of the survey data from rural households was conducted in two stages. The first stage examines the primary income earners in the family, usually the husband and wife, who accounted for no less than 60 percent of total household income during 1995-1997.<sup>25</sup>

**Table 3: Sources of Monthly Household Income by Primary Earners  
1986, 1995, and 1997, in percent**

	<b>1986*</b>	<b>1995</b>	<b>1997</b>
Salary and Wages-basic	45.5%	31.5%	27%
Salary and Wages- additional*	9%	1%	5%

Pensions	19%	26%	20%
Dividends	--	.8%	4.5%
Income from Private Business	--	7%	8.5%
Sale of Produce	23%	29%	31%
Other Monetary Income**	4%	3.7%	4%

Columns do not add to 100% due to rounding.

\* Structure of income from kolkhoznik family; state farm family would have higher percentage of income from basic salary and less from sale of produce.

\*\* Includes bonuses and income from second job, if any.

\*\*\* Includes income from land rentals, monetary help from parents or relatives.

Sources: *Kolkhozy SSSR*, 1988, p. 182; author's calculations based on statistical means (see footnote 16); and ICPSR survey data.

Table 3 shows a large decrease in income derived from the farm from the Soviet period to the post-Soviet period. In 1986, income from the farm accounted for approximately 74-75 percent of household income, and thus the level of dependency on the farm was high. In 1995, income derived from the farm (salary and wages, pensions, and dividends) constituted 59.5 percent of the primary earners' income. In 1997, income derived from the farm accounted for 56.5 percent of their income. The calculations do not include income based on barter, other demonetarized exchanges (such as income paid in-kind), and are not able to capture hidden income or under-reporting. However, the survey data are instructive in illustrating trends that are supported by survey results in other oblasts.<sup>26</sup>

The sale of food produced from the family plot was the second most important source of household income in 1995, and in 1997 became the single most important source of income. There is a downward trend in basic salary and wages as a source of income, although additional salary and wages increased in importance. Reflecting a degree of adaptation to opportunity, income from private business increased during 1995-1997.

The second stage of the analysis focuses on additional persons in the household.<sup>27</sup>

Approximately 85 percent of the households in the sample had four persons living in the home.<sup>28</sup>

Additional personnel in the household were likely to be pension age, as 55 percent of the households did not have a child under 18 living in the home. Table 4 illustrates the sources of income for additional persons.

**Table 4: Sources of Monthly Household Income by Additional Persons, 1995-1997, in percent**

	<b>1995</b>	<b>1997</b>
Salary and Wages-basic	38%	27%
Salary and Wages- additional*	0%	3%
Pensions	39.5%	32%
Dividends	0%	6%
Income from Private Business	0%	1%
Sale of Produce	20%	26%
Other Monetary Income**	1%	4%

Columns do not add to 100% due to rounding.

\* Includes bonuses and income from second job, if any.

\*\* Includes income from land rentals, monetary help from parents or relatives.

Sources: Author's calculations based on statistical means (see footnote 18); and ICPSR survey data.

As would be expected from this demographic cohort, there is less evidence of extra work (additional salary and wages), less income from other sources, and less private business income. Additional persons had three main sources of income: pensions, basic farm wages, and sales of produce. In short, their dependence on the farm for income was higher in 1995 (77 percent ) than for primary income earners, and remained higher in 1997 (68 percent). Thus, reduction of dependence and adaptive capabilities were related to age.

The gradual decrease in dependence on the farm for welfare by primary income earners was due to increased food sales. Table 5 shows that during 1995-1997 food sales increased substantially for

several food products. Using the mean volume of sales for each food product and calculating it as a percentage of production in 1995 and 1997, an increased percentage of food produced by a household was sold in 1997 compared to 1995. This trend, no doubt, was related to wage arrears and the need to supplement household income, but also had the effect of decreasing the importance of farm salaries.

**Table 5: Changes in Mean Volume of Food Production Sold by Household, 1995 and 1997**

	<b>1995</b>	<b>1997</b>	<b>Increase in Volume of Sales, 1995-1997</b>	<b>Increase in Volume of Production, 1995-1997</b>
Potatoes Sold (kg)	282	474	+68%	+19%
Vegetables Sold (kg)	25	45	+80%	+48%
Fruit Sold (kg)	1.5	4.6	+207%	+43%
Meat Sold (kg)	107	188	+76%	+43%
Milk Sold (liters)	1,705	4,400	+158%	+17.5%
Hay Sold (kg)	131	2,589	+1,876%	+76%

Sources: Author's calculations based on statistical means; ICPSR survey data.

Interestingly, the table shows that increases in the volume of food sales for each food product exceeded production increases, which means that households consumed relatively less of their own production and sold relatively more.<sup>29</sup> Furthermore, there is evidence of stratification, as not all households increased food sales. During the three year study, 25 percent of households increased the volume of potatoes sold, 38 percent of households increased meat sales, and 34 percent increased milk sales.<sup>30</sup> Overall, the evidence is clear that households derived more income from their own efforts – the growing and selling of food – and became less dependent on the farm for their welfare.

Increased independence reflected and supported attitudinal change among rural individuals. There is evidence of a new attitude toward work, an increased support for market-based agricultural reforms, and somewhat less desire to return to the past. These trends are illustrated in Table 6, below.





**Table 6: Attitudinal Change Among Rural Households, 1995-1997, in percent**

	<b>1995</b>	<b>1996</b>	<b>1997</b>
<b>Hard work leads to better life</b>			
Agree and partly agree	66%	78%	82%
Disagree	33%	20%	17%
<b>It is better to go back to situation before 1991</b>			
Agree and partly agree	95%	95%	92%
Disagree	3.5%	3%	6%
<b>Government should encourage market reforms in agriculture</b>			
Agree and partly agree	35%	50%	47.5%
Disagree	52.5%	35%	36.5%

Note: Percentages may not add to 100 due to exclusion of missing responses and responses “too difficult to answer.”

Source: Author’s calculations; ICPSR data.

The data suggest a significant increase among rural Russians in the currency of the notion that hard work is beneficial and has material benefits. This finding is important in that it contradicts the widely held impression of rural workers as indolent. It also suggests an emerging entrepreneurial spirit, especially when the increased tendency of rural households to start and operate their own business is noted.<sup>31</sup>

The data in the table are also important because they undermine the common belief that rural dwellers oppose market reforms. According to virtually every survey or opinion poll taken in Russia, rural attitudes toward market reforms are shown to be more negative than urban attitudes, particularly in

large cities. But what this overlooks is the fact that rural attitudes experienced significant change, even in the short time captured by the panel survey, becoming more positive. We see this in the fact that market reforms received significantly more support in 1997 than in 1995, while opposition decreased. This trend suggests that there was adaptation to new conditions. Finally, although less dramatic than the other two variables, there is evidence of a slight decrease in the desire to return to the past, dropping from 95 percent in 1995 to 92 percent in 1997.

### **The consolidation of the new rural social contract**

The previous section presented evidence about the transformation of the rural social contract beginning in the mid-1990s. As part of that transformation, rural households experienced changes in the sources of their income and reduced their dependence on the farm by selling more household produce. These two developments, in turn, reflected economic necessity, but also attitudinal change. The purpose of this section is to bring the analysis up to date.

The question is whether the trends demonstrated above have lasting power or are temporary aberrations. If the trends continue, this would show the consolidation of the new rural social contract. In fact, that is what has happened, and I date the consolidation of the new rural social contract from 2000, during the Putin administration.<sup>32</sup> By “consolidation”, I have in mind not so much a significant change from the transformation period, but rather the continuation of the trends demonstrated in the previous section. Recent data demonstrate that the trends observed from the 1995-1997 data were not merely a temporary anomaly.

The consolidation of the new rural social contract is best analyzed at the household level, because national financial and other social policy trends were not that much different from the period of decline. In the transformative and consolidation periods, there is a divergence between state-supplied goods and services and household welfare. Household welfare is not completely divorced from state-supplied goods and services, but dependency ties are certainly weaker, supplanted by family and community social networks, the household’s own resources and initiatives, and private businesses.

The analysis in this section is based upon survey data, drawn from a stratified sample in five Russian regions (Belgorod oblast, Volgograd oblast, Krasnodar kray, Novgorod oblast, and Chuvash Republic) during the summer of 2001.<sup>33</sup> Within each region, four villages were selected, and within each village, 40 households were surveyed, for a total of 800 rural respondents. In each of the selected villages, a list of all households that contained at least one adult with full-time employment was compiled, based upon the household list available from the village administration.

One person from each household was interviewed. Included were persons working on large farms, private farmers, persons working in food processing or food trade business, and persons engaged in private household agricultural production and/or processing. The sample excluded households in which the primary breadwinners were retired couples, widows/widowers, or earners in the service sector who do not participate in any of the activities listed above. The survey was conducted via person-to-person interviews by a research team from the Institute on Socio-Economic Problems of the Population, in Moscow.

Sources of household income are illustrated in Table 7. The data in the table not only confirm trends indicated in Table 3, but show a strengthening of those trends. Although regional differences are evident (as would be expected), of particular note are the following general trends: (1) the sale of produce continued to be a primary source of income – the second most important source in Belgorod, Chuvash, and Krasnodar, and the most important in Volgograd. Only in Novgorod, which has distinct climatic, soil quality, and demographic differences, were produce sales third in importance. (2) Income from households' private business increased substantially compared to the 1997 data. Income from private businesses was the single most important source of household income in Krasnodar and Novgorod.<sup>34</sup> (3) Increases in sales of produce and private business income offset a decline in the importance of farm salaries in Krasnodar and Volgograd – both agriculturally rich southern regions.

These results in turn support the attitudinal trends evidenced in Table 6. The fact that households were receiving more income from private sales and household businesses testifies to the fact that hard work was accepted as an avenue to a better life, and shows how households seized the opportunity provided by market reforms in the agrarian economy.

**Table 7: Sources of Household Monthly Income by Primary Earners in Five Regions, 2001, in percent**

	<b>Belgorod</b>	<b>Chuvash</b>	<b>Krasnodar</b>	<b>Novgorod</b>	<b>Volgograd</b>
Salary and Wages-basic	33%	27%	14.5%	28%	12%
Salary and Wages- additional*	4.6%	.4%	10%	0%	2%
Pensions	21.5%	30%	15%	18%	17%
Dividends	2%	.2%	6%	.2%	1%
Income from Private Business	3%	0%	31%	28.5%	16%
Sale of Produce	31%	28%	21%	20%	29%
Other Monetary Income**	5%	14%	2%	5%	23%

Columns do not add to 100% due to rounding.

\* Includes bonuses and income from second job, if any.

\*\* Includes income from land rentals, monetary help from parents or relatives.

Sources: Author's calculations based on statistical means; and NCEEER survey data.

Turning to food sales, Table 8 compares the percentage of household food output that was sold in 1997 with percentages of sales in five regions in 2001. It is important to keep in mind that after the 1998 financial crisis, rural incomes began to become more monetarized, or at least less demonetarized. This is important because it means the need to sell higher proportions of household output had declined in 2001 compared to 1997, although higher prices provided incentives to sell.

As in Table 7, there are regional differences that reflect variance in agro-climatic conditions. Nonetheless, what is evident is the continuation of selling significant percentages of food goods, primarily meat, that are higher priced and of higher preference for consumers. Clearly, as incomes from the farm became remonetarized, the marginal utility of sellin cheaper, lower-preference food goods declined. Some goods – potatoes, vegetables – may be stored or preserved, and others, such as fruit, are consumed by the household. But perishable goods such as meat continued to be sold in high volumes.

High meat sales reflect several coincident trends: greater production capacity and more output, finite ability to consume, and caloric substitution of carbohydrates for protein. The result was a continuation of household independence in sources of income.

**Table 8: Ratio of Food Sales to Food Produced in Five Regions, 2001, in percent**

	<b>1997</b>	<b>Belgorod</b>	<b>Chuvash</b>	<b>Krasnodar</b>	<b>Novgorod</b>	<b>Volgograd</b>
% of Potatoes Sold	25%	12%	13%	5%	18%	1%
% of Vegetables Sold	15%	22%	1.4%	14%	11%	1.5%
% of Fruit Sold	8%	.4%	0%	73%	0%	.2%
% of Meat Sold	58%	51%	48%	62%	78%	73%
% of Milk Sold	NA	NA	20%	44%	60%	NA

Columns do not add to 100% due to exclusion or non-availability of data for some products.

Sources: Table 5; author's calculations based on statistical means of ICPSR data; and NCEEER survey data.

The trends that characterized the transformation of the social contract in the mid-1990s continued into the early twenty-first century and represented the consolidation of the new state-rural relationship. Households continued to utilize alternative sources of income, which maintained the partial independence they had achieved from the farm. The political implications of these findings are explored below.

## **Conclusion**

The transformation of the rural social contract was perhaps the most important factor for understanding the sources of rural quiescence during the 1990s. In this transformation, sources of rural incomes changed in important ways, leading to less dependence upon the farm and state policies for household welfare.

Levels of income are central to a feeling of well-being and satisfaction. In both sets of survey data, Pearson correlation analysis of household income with different psychological moods showed a positive, statistically significant (.05 or better) association between levels of income and feelings of

satisfaction with family relations, village life, and life in general (the higher the income, the more satisfied a respondent was).

The increasing independence from the farm and state policies for household income is important because it points to a divergence, in which state-supplied goods and services continued to decline, while households were, nevertheless able to protect themselves somewhat. Therefore, the transformation involved not so much a decoupling of rural households from dependency ties to the state and farm, as a degree of insularity from the full effects of rural decline. As rural households utilized alternative sources of income, possibilities to maintain or even improve household welfare were present, and therefore protest impulses were muted. With survival assured, there was little reason to undertake actions that would cause rural instability. The transformation of the rural social contract and the degree of rural insularity that flowed from the transformation were key aspects of rural stability.

The redefinition of the rural social contract has important political implications for society at large. First, the transformation of the rural social contract signifies a redefinition of state-society relations. Unlike the original contract, which was defined and imposed from above, the redefinition has come from below. The growth of household independence from the farm suggests that the countryside is likely to remain stable, even if additional economic shocks occur in the future. The critical period has passed, and if instability were to occur, it is likely that it would have already. By the beginning of the new century, opinion polls showed that the potential for rural mass protest had declined significantly.

Putin, therefore, has some maneuverability: first, because he is attempting to build rural support; second, because if actions were adopted that were adverse to rural households, the impact would be relatively less than under the old social contract. Dependency ties between households and farms, which characterized the Soviet period, have grown weaker and are unlikely to reemerge. This reality suggests real opportunities for farms to engage in meaningful reform. Freed from some financial obligations, it would be logical to expect a redefinition of the managerial-worker relationship in which the manager attempts to protect his workers from unemployment, even if it negatively affects farm operations and profitability. This tendency was observed in several oblasts where farm reorganization efforts occurred in the middle of the 1990s (IFC, 1998).

Second, the transformation of the rural social contract is important for the evolution of civil society, as increased independence by rural households limits future state incursions against individuals' rights. For example, expanded land holdings, land lease relations, and the utilization of market-based channels of food trade create significant political, economic, and psychological barriers that the political leadership most likely would be reluctant to breach.

Finally, the transformation of the social contract from below casts new light on the nature of rural orientations toward reform. The conventional wisdom posits that rural orientations have been mostly negative toward reforms. The rural sector is seen as a bastion of resistance and conservatism. This view is not supported by the evidence presented here. If the rural "moral economy" had been assaulted by market reforms, it would be logical to expect the kinds of defensive reactions – protests, instability, even rebellion – that the literature predicts (Scott, 1976).

Instead the countryside has been quiet. Rural households have adapted to a changed environment, in which state policies turned from positive and supportive to negative and discriminatory. Even if rural adaptations and transformation of the social contract were merely survival strategies, the evidence reflects rural households' willingness to use opportunities provided by reform policies. It is important, therefore, to be cognizant of rural households' ability to adapt, as well as their ability to change the terms of their relationship with the state.

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## Endnotes

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<sup>1</sup> The vast majority of rural protests were local, single-issue oriented, and narrowly focused, having the objective to receive past wages. Protests designed to threaten the system were rare; when they did occur, they were organized by the Agrarian Party of Russia, and were usually attended by only a few hundred protesters in Moscow. The political impact of these demonstrations was virtually nil.

<sup>2</sup> For example, one might argue that the lack of rural decollectivization was a sign of resistance to reform policies. That argument could be countered by arguing: (1) total decollectivization was never a policy goal of reform; (2) the incentives structures which flowed from reform policies did not support decollectivization; and (3) a significant strain of rural culture was not amenable to decollectivization. Another example is the expanded use of barter relations, which might be interpreted either as rejection of market economics, or as survival strategies.

<sup>3</sup> The social contract approach failed to distinguish between urban and rural populations and glossed over the fact that the urban-rural relationship continued to be characterized by inequality. Moreover, a number of methodological problems confront the social contract approach: (a) how to distinguish between a social contract and normal economic growth; (b) a failure to distinguish between sectoral differences, in which not all groups shared equally during the social contract; and (c) how to measure a “contract” in which the terms were dictated from above, compliance was mandatory, and defection was prohibited.

<sup>4</sup> For useful works on Soviet standards of living in general see Matthews, 1972; 1986; and 1989; and McAuley, 1979.

<sup>5</sup> For a review of rural social policy under Brezhnev, see Wegren (1998, chap. 2).

<sup>6</sup> For a detailed history of state capital investments into agriculture, see Ivannikov, 1989, pp. 118-19.

<sup>7</sup> Under Gorbachev, the sum of rubles invested in agriculture increased. During 1986-1990, almost 184 billion rubles were invested in agriculture. In 1990 alone, 41 billion rubles were invested, an increase of 30 percent over the 1985 level of 31.5 billion rubles (*Narkhoz v 1990*, 1991, p. 435.)

<sup>8</sup> The reasons for increased incomes were varied. One reason had to do with increases in basic wage rates. As wage rates increased for rural workers, earnings per “man-day” grew from 2.68 in 1965, to 3.90 in 1970, to 6.36 in 1979, and 7.27 in 1986 for kolkhozniki (Tyurina, 1982, p. 186; *Kolkhozy SSSR*, 1988, p. 45; and see Wadekin, 1989). Another reason was the generous bonus system adopted by the Brezhnev regime, particularly for weaker, less efficient collective farms. A third reason was increased farm production, which benefited collective farm workers who worked on a piece-rate system.

<sup>9</sup> Brezhnev also pursued a policy that attempted to reduce differences among rural workers. Wage differentials decreased between sovkhoz and kolkhoz workers, and between technical and non-technical workers (Wegren, 1998, pp. 19-25).

<sup>10</sup> Despite improvement in the availability of consumer goods in rural areas, the quality still lagged behind those in urban locales. Data suggest that the satisfaction of demand did not keep pace with increases in family incomes, reflected in the fact that rural individuals’ cash deposits grew much more quickly than those of urban dwellers during the 1960s and 1970s (Evans, 1981, p. 44).

<sup>11</sup> See also Evans, 1981, p. 52 for a different set of calculations, which nevertheless confirm the general trend indicated here. Needless to say, urban expenditures on all types of services remained higher than in rural areas, but the gap closed considerably. In 1965 urban dwellers spent more than six times as many rubles on services than rural dwellers, decreasing to 2.6 times as many rubles in 1980.

<sup>12</sup> In 1959 the corresponding numbers were 469 urban persons per 1000, and 256 rural persons per 1000, thereby resulting in a growth rate of 122 percent for the rural population and 66 percent for the urban population. Urban schools remained of better quality, as rural schools suffered from a number of deficiencies (see Schroeder, 1983, p. 253).

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<sup>13</sup> However, it should be noted that during the 1970s production from subsidiary plots stabilized and for some products increased, thereby offsetting a long-term decline. By the end of the Brezhnev period, the decline had resumed and was not reversed until the early 1990s.

<sup>14</sup> This trend continued until it bottomed out at 2.5 percent in 1997, before increasing slightly to three percent in 2000 and 2001 (*Rossiyskiy statisticheskiy ezhegodnik*, 2000, p. 547).

<sup>15</sup> A survey by Goskomstat of Russian households in 1996 showed that both urban and rural food consumption per capita declined from 1991 to 1996. However, urban consumption fell more. In 1991, rural food consumption per capita was eighteen percent higher in caloric intake than for an urban dweller, sixteen percent higher in protein, five percent higher in fat, and twenty-five percent higher in carbohydrates. By 1996, rural consumption had increased as a ratio to urban consumption: twenty-eight percent higher in calories, twenty-eight percent higher in protein, twenty-one percent higher in fat, and thirty-one percent higher in carbohydrates (Bondarenko, 1998, p. 39). Because rural incomes have fallen in real terms since 1991, these data reflect the reality that rural families seized the opportunity to expand subsidiary plot production.

<sup>16</sup> This was a trend that continued until the end of the decade, as in 1998, a worker on a large agricultural enterprise earned 39 percent the average monthly income of an industrial worker, and in 1999, 34 percent. *Trud i zanyatost' v Rossii*, 1999, p. 309; and *Rossiyskiy statisticheskiy ezhegodnik*, 2000, p. 155.

<sup>17</sup> In mid-1997, for example, Goskomstat survey data of Russian households showed that rural households received only 70 percent of their total income in monetary form, compared with 88 percent for urban households. Just prior to the financial crisis of August 1998 the situation was much the same: rural households received 69 percent of their income in monetary form, while urban households received 95 percent. Calculated from *Statisticheskiy byulleten'*, no. 1 (March 1999), p. 35; and *ibid.*, no. 1 (January 2000), p. 19.

<sup>18</sup> Within the Central Region the oblasts with the highest rates of rural unemployment were Vladimir, Ivanovo, and Yaroslavl'.

<sup>19</sup> If this estimate is correct, it means that the rural unemployment rate was equal to about 10 percent of the rural working-age labor force. In contrast, urban unemployment equaled about five percent of the urban working-age labor force, or approximately six percent of those who were employed in a non-agricultural profession during 1994.

<sup>20</sup> Even though regional budgets accounted for more than 50 percent of Russia's consolidated budgetary expenditures, only a very small fraction of regional budgets were allocated to agriculture. Based on my own field work and an extensive reading of the primary literature, it would be difficult to identify more than a handful of regions where agriculture received more than three-four percent of regional budget expenditures, and the overwhelming number of regions are in the one-two percent range.

<sup>21</sup> Nor was foreign investment a remedy. In general, foreign investment in the Russian economy was ] small – only 9.5 billion dollars in 1999, of which only 4.2 billion was direct investment, the rest comprised of various types of credits. Of total foreign investments (investment and credits), about 15 percent went into food processing in 1999, but none was invested in rural infrastructure or agricultural production: *Rossiyskiy statisticheskiy ezhegodnik*, 2000, p. 553).

<sup>22</sup> One can track rural households' responses during the 1990s to their material condition, outlook for the future, and level of satisfaction through various issues of the *journal Monitoring obshchestvennogo mneniya: ekonomicheskoye i sotsial'nyye peremeny*, which is based upon surveys conducted by The Russian Center for Public Opinion Research in Moscow.

<sup>23</sup> Survey data are drawn from village level responses to reform in Latonovo (Rostov Oblast), Vengerovka (Belgorod Oblast), and Sviatsovo Bolshoe (Tver' Oblast), in 1995, 1996, and 1997. The surveys were comprised of longitudinal panel studies of rural households, intended to measure economic and psychological adaptation to agrarian reform. Combining the three villages, a total of 463 households were sampled in each year, from which one person from each household was interviewed. The selection of households was based on a stratified sample and

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made from the list of village households maintained by the village administration. The data base is available from the Inter-university Consortium for Political and Social Research (ICPSR), at the University of Michigan.

<sup>24</sup> The results in Table 3 were calculated using the statistical means of income sources for the husband and wife in each rural household surveyed in the panel sample. The only source of income included in the survey data but not included in the table is alimony. Alimony constituted about one-tenth of one percent of total income in each year of the sample, and therefore its exclusion does not affect calculations.

<sup>25</sup> The exact percentages were 60 percent in 1995, 61 percent in 1996, and 62 percent in 1997.

<sup>26</sup> A survey of reorganized and non-reorganized farms in Rostov oblast by the Agrarian Institute (Moscow) showed that by mid-decade, workers on non-reorganized farms received only about 27 percent of their income from farm wages and 62 percent from their subsidiary plot. Workers on reorganized farms received about one-third of their income from farm wages, about 45 percent from subsidiary plot activities, as well as some income from lease payments (Uzun, 1997, pp. 82-85).

<sup>27</sup> The results in Table 4 were calculated using the statistical means of income sources for persons three and four in each rural household surveyed in the panel sample. As in Table 3, alimony was not included since it constituted a very small portion of income and therefore its exclusion does not affect our calculations.

<sup>28</sup> Although the overall mean was 2.8 persons per household.

<sup>29</sup> Goskomstat data based upon a survey of households nationwide confirmed that rural households consumed less in 1996 than they had in 1991. At the same time, the survey showed that rural households consumed more than urban households in both 1991 and 1996, and the gap widened by 1996. See Bondarenko, 1998, Table 3 on p. 39.

<sup>30</sup> Six percent of households increased vegetable and hay sales, and one percent increased fruit sales. O'Brien and his colleagues found that increased food sales were associated with the level of human and social capital possessed by the household (O'Brien, Patsiorkovski, Dershem, 2000, chap. 9).

<sup>31</sup> In 1995, three percent of households responded they had their own business, rising to eight percent in 1997. In 1995, 1.7 percent of households responded they were involved in agribusiness, and 1.3 percent in "other" (non-agricultural) business. In 1997, 5.2 percent of households had their own agribusiness, while 2.4 percent were involved in other types of business.

<sup>32</sup> As with the periodization of the other phases, the exact time periods are arbitrary and are meant to be illustrative.

<sup>33</sup> Supported by a grant from the National Council for Eurasian and East European Research, grant number 816-14g.

<sup>34</sup> Belgorod and Chuvash were exceptions due to regional legal restrictions on land ownership.