A LOOK AT PRIVATIZATION OF HOUSING IN THE SOVIET UNION:
THE LENINGRAD EXPERIENCE

by

Leigh H. Rae

Submitted to the Department of Architecture
in Partial Fulfillment of the Requirements for the degree of
MASTER OF SCIENCE
in Real Estate Development

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ABSTRACT

An exploratory study of the housing allocation system in the
Leningrad was undertaken in order to evaluate the
feasibility of the Soviet Government's recent proposal to
privatize approximately 70% of the state-owned housing stock
by the year 2000. The study included an analysis of the
centralized political and planning processes as well as an
evaluation the socioeconomic and cultural environment in
the Soviet Union.

The results of the study indicated that expanding the
non-state housing sector is not a panacea for the Soviet
housing problems. If the situation in Leningrad is
representative, the housing problem is merely a subset of a
much greater set of problems which pervade the political,
economic and cultural fabric of Soviet society. Without
restructuring the centralized planning and political
processes and the socialized economy, for instance, any move
toward privatization would be impotent. Furthermore, because
market economics depends on consumer values, the
long-standing tradition of collectivism and authority and the
institutionalized inequalities which pervade Soviet society
would need to shift for privatization to succeed.

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"...other havens...were and remain the homes of friends: Those padded, intimate interiors whose snug warmth is all the more comforting after the raw bleakness of the nation's public spaces; those tiny flats steeped in the odor of dust and refried kasha in which every gram of precious space is filled, every scrap of matter -- icons, crucifixes, ancient wooden dolls, unmatched teacups preserved since before the Revolution -- is stored and gathered against the loss of memory; those homes which even in times of greatest dearth have centered about a table, about food miraculously foraged for the visiting relative or guest; those tables over which, until the Gorbachev era, one engaged in elaborate mimicries, note-passing, sign language, to escape the scrutiny of the state's murderers and spies. Over the years, such Soviet homes, however poor, beleaguered, continued to exemplify those virtues that underlie the national tradition of uyutnost: that dearest of Russian words, approximated by our 'coziness'...[which] denotes the Slavic talent for creating a tender environment even in dire poverty and with the most modest means; it is associated with intimate scale, with small dark spaces, with women's domestic generosity, with a nurturing love."
INTRODUCTION

According to Article 44 of the Constitution of the Union of Soviet Socialist Republics, all Soviet citizens have a right to housing. 3 Under perestroika, the Soviet government has acknowledged the inadequacy of its ability to fulfill this right. 4 In March of 1986, at the 27th Congress of the Communist Party of the Soviet Union, Mikhail Gorbachev proclaimed that every Soviet family would have a separate dwelling by the year 2000.

As of 1989, government estimates revealed that there were approximately 83 million housing units serving the republic's 90 million households. 5 By the year 2000, the number of households is forecasted to increase to 97 million, and the current housing stock is estimated to depreciate by 11% - 16%. Thus, in order to achieve Mr. Gorbachev's goal, approximately 20 - 25 million new units must be constructed. By U.S. standards, this figure is staggering. However, the Soviet government has proven its ability to produce enormous quantities of housing. Between 1956 and 1989, the state constructed 72.3 million units (average annual production: 2.2 million units). 6
Mikhail Gorbachev hopes to maintain a high level of production while at the same time restructuring the entire housing delivery system. Under perestroika, the Soviet government intends to create a market based economy, and privatization of housing has been declared a high priority. Sources at the State Committee for Architecture and Planning (Goscomarchitecture) project that 70% of the state-owned housing stock will be privatized by the year 2000.

The government has declared the single family home to be the preferred housing type of the future. Although this can be attributed, in part, to the government's desire to improve living conditions, it also has an economic basis. In the past, the government has relied on the construction of high-rise prefabricated concrete housing, a strategy which requires enormous capital for plant and equipment. In contrast, the construction of single family homes requires relatively low investment in plant and equipment. As a result, small privately held construction companies as well as homeowners themselves could begin to reduce the government's burden for providing housing to every citizen.

Some believe that, by shifting the responsibility of housing away from the state and into private hands, the government can revitalize the teetering Soviet economy. Currently, occupants of state-owned housing live virtually rent-free: only 3%-5% of an average household's official income is
needed to cover monthly rental expense. The government, on the other hand, expends approximately 7 billion roubles annually to maintain the housing stock in the Soviet Union. This sum will undoubtedly grow in the near future as construction costs rise (due to declining productivity and growing scarcity of raw materials) and as renovations costs increase (due to the deterioration of the prefabricated concrete buildings constructed during the Khrushchev era).

In contrast to the increasing drain which housing is placing on state resources, consumers in the Soviet Union are accumulating personal wealth. In 1987, disposable income approximated 586 billion roubles, of which 441 billion was spent on food and consumer items. By year end, consumers had deposited 24 billion roubles into the central bank. This is not surprising in view of the scarcity of consumer goods available in the Soviet Union. By privatizing housing, many believe that personal savings could be transferred to productive investment.

Although transferring state-owned housing to private ownership may offer specific benefits, it is not a panacea for Soviet housing problems. The following analysis will attempt to document some of the difficulties facing the Soviet Union in regard to privatization of housing. It should be noted that the observations in this analysis were
drawn from two weeks of field research in Leningrad. As a result, they may have limited relevance to housing conditions in other parts of the Soviet Union, and any conclusions should only be viewed as exploratory. This study is based upon a very limited perspective of the Soviet housing problem.

In order to evaluate the impacts and feasibility of privatization of housing in the Soviet Union, the analysis is organized to address the following: the current system for allocating housing, the Soviet political process and its impact on privatization, housing affordability issues, and cultural factors impacting privatization.

The following conclusions can be drawn from this research:

1. Based on observations in Leningrad, privatization is not a remedy for the housing problem. Housing is symptomatic of a larger set of sociopolitical, economic, and cultural issues which left unresolved will hinder any proposal for solving housing problems in Leningrad.

2. In Leningrad, any move towards transferring state-owned housing to private hands must be preceded by a restructuring of the basic tenets of housing allocation under the current system. Housing can no longer be inextricably linked to the political process and used as a method of reward.
Furthermore, the sectors which do encourage private ownership under the current system of allocation (e.g., the cooperative and individual home sectors) must be fostered through the development and continuous availability of a financing mechanism for individual owners and through the development of a retail trade for building materials. Proclamations and laws are not sufficient to foster the growth of these sectors.

3. Privatization depends on local access to materials and services. Thus, any move towards transferring ownership to private hands must be accompanied by the elimination of Gosnab's control of the supply of materials and the establishment of a local distribution network. As the analysis of Leningrad indicates, the centralized system of supply restricts movement of goods and services -- thus fostering inequality -- and creates artificial scarcity in the economy. The primitive budgetary system of finance must also be restructured and a housing finance mechanism must be created to foster home purchases.

4. Any solution to the housing problem in Leningrad must be predicated on a fundamental shift of responsibility for the supply and allocation of housing from the state to the local level. Without strong local control, particularly in the hands of local elected representatives such as the Leningrad City Council, housing solutions are likely to repeat the
historical trends that have been deeply entrenched over the last 70 years.

5. As the Leningrad example illustrates, the socialized economy in the Soviet Union must be restructured. Wages must reflect the real cost of living, and in-kind subsidy must be made measurable so that the real cost of services provided by the government are accounted for. The role of the pervasive secondary economy in housing production that currently operates in such areas as allocation and material procurement must be recognized. This economy has strength; it is one example where market forces are at. As a result, it may be an appropriate starting point for the expansion of privatization.

6. Finally, market economics depends on consumer values. As a result, the deeply rooted tradition of collectivism and authoritarianism and the institutionalized inequalities which pervade the lives of Leningraders must begin to shift. Taken a step further, consumer preferences must begin to be expressed for privatization of housing to take hold.
In order to analyze the implications of privatization in the Soviet Union, it is important to understand what housing is available and how it is allocated. (See Tables I and II below for dwelling types and forms of tenure).

Table I

DWELLING TYPES

PRIMARY HOUSING

Separate Flats: These apartment-style units are occupied by a single household. In other words, the apartment is shared by members of the same family (though not necessarily members of the same nuclear family).

Communal Flats: This type of housing was created immediately following the Revolution in accordance with the communist doctrine calling for the dissolution of the family. Although there were some notable buildings constructed in the 1920's which provided a model for communal living (e.g., communal dining facilities, communal day care, etc...), many of the communal flats were created simply by splitting up the homes of the pre-revolutionary nobility.

As a result, the living conditions in the communal flats are among the worst in Leningrad. In addition to crowded conditions, many are not equipped with hot water. Furthermore, plumbing and electrical systems are often primitive. Under perestroika, the elimination of this type of housing has been emphasized.

Dormitories: This category of housing provides temporary accommodation to students (military and civilian) and workers who are not residents of Leningrad (limitchicki).
Nonresidents are distinguishable by the internal passport system which requires all citizens to carry propiska. The limitchicki come to Leningrad at the invitation of a factory (often to perform the least desirable work) hoping that they can somehow procure permanent residency. Sanitary conditions in the dormitories are often poor due to lack of services and crowding.

Specialized Housing: Specialized housing includes orphanages and housing for the elderly. Although no data is available on this type of housing for Leningrad, only .5% of the total population in the Soviet Union occupies specialized housing.

Individual Housing: Individual housing for primary residency does not exist in Leningrad. However, it encompasses approximately 12.25% of primary housing stock throughout the Soviet Union. This type of housing is held by individual citizens as personal property.

SECONDARY RESIDENCES

Official data is not available on secondary housing in the Soviet Union. However, estimates of the number of Leningrad families which have secondary homes ranges from one in six to one in four Leningrad.

Dachas: The dacha is often a run-down cottage which served as the primary residence for some previous generation. Dachas are located either on individual lots or on land which is held by a homebuilding cooperative.

Kitchen garden plots: Kitchen garden plots are small parcels (600 square meters) intended for use as gardens. In theory, there are strict laws regulating what can be built on these lots to insure that they are maintained for cultivation only. However, law enforcement seems to ebb and flow. In recent years, enforcement in the Leningrad region has been lax, and this has given rise to the construction of many makeshift summer cottages on the plots.

There are at least two types of kitchen garden plots: one in which the maximum size of the building structure cannot exceed 20 square meters and one in which the maximum size of the building structure cannot exceed 50 square meters. Generally, the kitchen garden plots are held by homebuilding cooperatives.
Table II
FORMS OF TENURE

State-owned housing: State-owned housing is held by the city or state government, or by a factory, a trade union, or some other enterprise of the state. It is provided to residents for a nominal rental fee (3%-5% of official household income). Occupants of state-owned housing are rarely evicted, and they are entitled to transfer their occupancy rights to family members upon death of the occupant.

Cooperative housing: Cooperative housing entitles the occupant to use of the dwelling as owner of a share in the cooperative. Although cooperative dwellings can be exchanged and inherited, the laws which define the rights of cooperative owners are much more ambiguous than the laws outlining the rights of state-owned housing occupants.

State cooperative housing is provided by the Leningrad City Council and is usually located in high-rise industrial buildings in the suburbs of Leningrad. These dwellings are procured at a considerably higher cost than the state-owned housing. What seems to determine the price differential is the shorter waiting list for state cooperatives. In Leningrad, the waiting list for state cooperative housing is one to three years compared to the ten year wait which currently exists for state-owned housing.

Homebuilding cooperatives are usually organized through a factory or a trade union. They can be found in the countryside and are formed for use by individual homebuilders either for primary or secondary residency. In the homebuilding cooperative, the cooperative association is given access to a parcel of land which is then divided for use by individuals.

Individual Plots: Some single family homes for primary and secondary residency are located on individual plots of land granted to individual citizens for use. In these cases, the individual owns the building as personal property.

In Leningrad, the housing problems are somewhat unique. This is largely due to the fact that the city's downtown has remained virtually unchanged since the 18th and 19th centuries when it was the capital of the Russian Empire.
Much of the housing stock in the downtown area consists of low-rise buildings (built during this period), which were converted to communal flats at the time of the Revolution. As a result, the shortages among the city's 4.9 million residents are especially grave. Only 56% of the population occupies separate flats. The remaining citizens live either in communal flats (36%) or dormitories (8%). (See Appendix A for population and housing data).

ALLOCATION OF PRIMARY RESIDENCES

The Soviet housing system is based on the communist philosophy calling for the elimination of social inequality. Prior to the Revolution, housing in Russia (as in many places in the world) was a source of considerable inequality. Consequently, the Soviet constitution made the provision of housing a right, and the state created a strict distribution system. Spatial norms and eligibility categories were created to insure that all citizens were provided with a minimum standard of living. However, because housing has always been linked to the political process and used to reward those who are perceived as the greatest contributors in society, this distribution system is riddled with inequality.

The system of spatial norms designates the minimum amount of space to which a person is entitled. Since the Revolution,
these norms have changed on three occasions. Immediately following the Revolution, the standard was set at 8.25 square meters per person. In 1926 the standard was raised to nine square meters per person, and under perestroika the standard has been raised again to twelve square meters.

Unfortunately, because of the continuous housing shortages, these standards merely serve as guidelines for new construction, and the state has another set of standards -- a much lower set of standards -- to designate a person's eligibility for an improved unit. Under these standards, a person who can prove that he/she has less than 5.5 square meters of living space is eligible to be placed on a waiting list for state-owned housing, and a person who can prove that he/she has less than 6.5 square meters of living space is eligible to be placed on a waiting list for state cooperative housing.

In addition to spatial norms, there are various other categories used to designate eligibility. One source in Leningrad said there were as many as 17 distinct categories of eligibility. However, no one interviewed could reconstruct this list.

The more important of these categories are for people living in communal flats who either participated in World War II or who survived the siege of Leningrad during the war. Others
given preference on the waiting lists are people who live in communal flats and suffer certain medical conditions, people who have completed military service, invalids from any of the post-revolutionary wars, heros of labor, and families with three or more children. These people are given priority on the waiting lists because their contributions to Soviet society are valued.

The reward system is not only limited to people on the waiting lists. In fact, there are those who (because of their positions in society) are entitled to bypass the waiting lists altogether. For instance, the nomenklatura (which is comprised of political and military officials and ranking members of cultural, educational, economic, scientific, and worker organizations) are given preferential treatment in housing allocation.

What is interesting about all of these categories for allocating housing, aside from the fact that housing specialists in Leningrad could not identify them clearly, is that they do differentiate people -- everyone is equal, but some people are more equal. Many of these seem to rely on subjective criteria. For example, it is unclear what medical conditions make a person eligible for the waiting list and who makes the decision that a condition is severe enough to warrant eligibility. It is also unclear what designates a person a hero of labor, and how far the
preferential treatment given to the *nomenklatura* extends?

David Shipler recounts the story of a Moscow citizen who lived in a tiny flat with his mother, his wife of eight years, and their child. In desperation to procure a separate flat for himself, his wife, and his child, he had his mother sign a statement that she could not tolerate his wife, and he had his mother-in-law sign a statement that she could not tolerate him. This declaration of incompatibility allowed him to enter the waiting list for a state cooperative, and after waiting four years and paying 2,500 roubles for each room, he procured a separate flat. He did not register his address change, however, in order to protect his right to his mother's flat when she died. (If he had removed his name from her flat, the flat would have reverted to the state upon his mother's death). 24

Although this example takes place in Moscow, it describes a process which reoccurs throughout the Soviet Union. Despite what appear to be rigid standards for allocation, the criteria used for distribution is ambiguous and subject to the judgement of individual officials.

As a result, personal relationships play an important role in the allocation of housing. Exchanging goods and services unofficially through friends or family relations is a pervasive element of Soviet life. With respect to the
housing allocation system, procuring a larger apartment or an apartment in a more desirable location can often be made simple as a result of knowing the right person in the right ministry.

Unofficial negotiations between apartment dwellers are common. Various people interviewed in Leningrad described how they had procured their flats. Almost all of them had made informal payments to the previous occupant of the apartment. One man, a Moscow citizen who was a member of a theatre repertory company, explained that, in order to procure his three room cooperative, he had made a $7,000 cash payment to the previous occupant. Based on the exchange rate offered by the central bank, this equates to 42,000 roubles -- more than the average citizen earns in official wages in a lifetime. Another member of this theatre group had made a payment of 14,000 roubles (equal to four and one half years of wages based on the official average) to procure his three room apartment.

The spread of glasnost has led to the uncovering of some of the inequalities which exist in the housing allocation system, particularly those which exist from preferential treatment for the nomenklatura.25 Several months ago, "Fifth Wheel" (a progressive Leningrad television news show) prepared a controversial expose on the vacation homes of Leningrad's high military and political officials.26
This sort of exposure and public criticism was nonexistent until recently.

EXCHANGE SYSTEM

Exchanges of both state-owned and state cooperative housing can be accomplished through the Exchange Bureau, an agency which falls under the Leningrad Executive Committee. Each month, the bureau publishes a book of apartment listings, which closely resemble the advertisements in the real estate sections of American newspapers. Officially, when an exchange takes place (on terms negotiated by the parties), an agreement is signed and registered with the bureau. This enables the parties involved in the exchange to procure new residency documents (propiska). Exchanges take anywhere from one to three years, and they are often arranged among many parties.27

Interestingly, people in Leningrad prefer to use informal networks to exchange flats over the official booklet. This takes place through notices pasted on walls around the city.

ALLOCATION OF SECONDARY HOUSING

Secondary housing allocation is not monitored officially. Families seem to procure secondary homes through word-of-mouth. Payment for dachas or kitchen garden
cottages is negotiated between the buyer and the seller. One Estonian indicated that he had purchased his dacha (part of a homebuilding cooperative) in 1989 for 25,000 roubles. Another family indicated that they had purchased their kitchen garden cottage in the Leningrad region in 1980 for 4,500 roubles. This family estimated that they could sell the cottage today for 20,000 roubles.

To purchase a plot of land for a secondary home, payment is made the city or town where the plot is located and to the cooperative association (in the case that the plot is located on a cooperative parcel). One cooperative visited had been organized by the employees of a local factory. There were 250 shareholders in this cooperative, many of whom had recently begun constructing cottages. One of these families reported that they had paid a fee to the cooperative for use of the land -- in this case 1,000 roubles. In the future, they would make an annual payment of 30 roubles to the town for continued use of the land. Total construction cost for their brick cottage was estimated at 10,000 roubles. The family hoped the value of their cooperative share would reach 30,000 roubles upon completion of the cottage.

The secondary home in the Soviet Union is paradoxical. Its allocation, though informal, is sanctioned by the government. One official described the secondary home as a
deeply rooted tradition among Soviet people which originated long before the revolution. Through the dacha or the kitchen garden plot, Mr. Nazarov argued, "people are able to satisfy their desire to build their own homes and enjoy the leisurely activity of gardening." Although the secondary home is a tradition, it is also an appeasement: a way for the government to escape changing the inadequate system of producing and allocating primary housing.

CURRENT ALLOCATION SYSTEM AND ITS IMPLICATIONS FOR PRIVATIZATION

Despite efforts by the government to standardize the living conditions of all Soviet citizens, there are people who are able to procure better dwellings than others; the current system is based upon inequality. Therefore, the argument used by some that privatization would create inequality should be disregard. Instead, the feasibility of privatization should be explored.

Both the cooperative and the individual home sectors have been in existence since the revolution. This is worth noting because, under perestroika, these sectors have been proclaimed as vehicles through which privatization can occur. According to Mr. Aganbegyn, one of the leading Soviet economists under perestroika,

"It is difficult to overestimate the vital
importance of our plan to create a pluralist attitude to property. There is a powerful movement, which is encouraged by the state, for the creation of cooperatives... for the development of individual domestic holdings, for the individual construction of housing and, for private gardening and allotment cultivation."

The cooperative movement originated in the 1920's. However, the Soviet Government has always exhibited ambivalence towards its growth. Under Lenin's New Economic Policy, the cooperative movement was viewed by some as a tool for transforming the masses from capitalism to socialism. In fact, the house leasing cooperatives (one of two forms of cooperatives established under Lenin) gained so much support that by the mid-1930's these cooperative were managing 53 million square meters. There were, however, those who perceived the cooperative "as a heretical form of housing tenure" both for its autonomous nature and for its association with the bourgeois. Under Stalin, opposition towards the cooperative sector grew, and by 1937 cooperatives were abolished.

In conjunction with Khrushchev's 1957 decree to eliminate the housing shortage by 1970, cooperatives were reinstated. This reinstatement had a pragmatic basis. By encouraging the growth of the cooperative sector, the state could share responsibility for solving the housing problem -- in much the same way that the reforms under perestroika are viewed. Khrushchev's 1957 decree was impotent, at first, because
it was not backed by concrete state support in the form of financing. Even after financing was made available in 1962, cooperatives have failed to achieve significant momentum. Construction activity throughout the Soviet Union peaked in the late 1960's and early 1970's at 7%-8% of total housing construction.\(^{31}\) Although data is not available for Leningrad, current figures for the entire Soviet Union reveal that state cooperative housing comprises only 5% of total housing stock.\(^{32}\)

In Leningrad, the budgetary allocation for construction of state cooperative housing was recently increased to 20% and, according to one source at Lenniitag, the city council would like to increase this percentage even more.\(^{33}\) However, there is trepidation that if more resources were allocated for the construction of state cooperatives, the waiting list for state-owned housing would grow even longer.

One reason for this fear is that there is little incentive (aside from the shorter waiting list) to purchase a share in a state cooperative. The rights of the shareholder are ambiguous, and the costs are prohibitive. In Leningrad, a one room flat costs 10,000 roubles, while a three room flat may cost as much as 30,000 roubles. Between 50%-60% of this cost is financiable over a 15-25 year period at a very low rate of interest. However, a family still has to make a sizable down payment of 5,000-15,000 roubles followed by
monthly payments of 40-60 roubles (vs. rental payments for state-owned housing of 5-20 roubles per month).

Even if a family can afford to make these payments (and the evidence suggests that many cannot), there is nothing to differentiate the state cooperatives from the state-owned housing. A cooperative visited in the "suburbs" of Leningrad evidenced this. Although the apartment was lovely as a result of the care its occupants took in decorating, the interior finish was barely adequate, and the exterior looked exactly like the thousands of state-owned building blocks which surround the city. Furthermore, the location offered no advantage.

The homebuilding cooperatives (which are only used for secondary homes in the Leningrad region) and the individual home sector (which does not exist in Leningrad) are also private forms of tenure which have been emphasized by Mr. Gorbachev. To encourage the growth of these sectors under perestroika, financing has been made available to individual citizens. However, it has only been made available on a very limited basis. According to Valere Antonov, the Deputy Managing Director at Lenniitag, 130,000 loan applications went unfilled in Leningrad in 1989 due to "a shortage of roubles at the state level". In 1990, there has been no state construction money available for individual homebuilders.34
A family which was fortunate enough in 1989 to get a construction loan was only permitted to borrow between 5,000 and 10,000 roubles. At best, this would have covered 50% of the cost of materials. Because there are few state building stores, materials are difficult to procure, and the individual who chooses to build his/her own house must be extremely resourceful. One alternative is through the black market. However, this can be very expensive. Having a personal relationship with someone who works in a homebuilding factory is the preferred method of procurement because it provides direct access to the system of centralized supply. (See "Privatization and The Political Process" for detail).

The growth of low density housing development -- implicit in the expansion of either the homebuilding or the individual home sectors -- would require an overhaul of the centralized planning process. Because the planning system is oriented towards the development of large scale industrialized housing blocks, it is extremely inflexible. Large resource and capital allocations must be made for each project to provide the necessary infrastructural improvements and transportation networks. This prevents the development of roads and infrastructure needed for the growth of low density housing.
The cooperative and individual home sectors have been in existence since the Revolution. However, they only encompass 30% of the primary housing stock in the Soviet Union. This is largely attributable to the fact that the Soviet government has never been willing to loosen its hold on centralized authority in order to foster their growth.
"...the process of privatization does not mean handing state property over to private ownership, as some people think. It is really a search for new, decentralized forms for management of state property in capitalist countries. Therefore the significance of this phenomenon...becomes even greater [in socialist countries], and the term privatization is...inadequate to describe this complicated process. It might...be more accurate to call the process socialization...since the process is one of advancing property to people, of liquidating, the alienation of people from their property."

In other words, privatization depends on decentralization. Although this observation is astute, it is difficult to imagine how the process of decentralization can take place in the Soviet Union where centralized authority has been paramount throughout history. The Russian Empire was the home of leaders such as Ivan the Terrible and Peter the Great, both of whom were supreme autocrats. A 16th century French ambassador to Russia made the following observation: "I cannot say whether it is the character of the Russian nation which has formed such autocrats, or whether it is the autocrats themselves who have given this character to the nation." In the 20th century, the Soviet Union has seen the rise of Joseph Stalin who created many of the central
political policies which still exist today.

The tendency towards political centralization is an impediment to the privatization of housing. In the Soviet Union, all important decisions are made at the highest level of government. Decisions regarding the allocation of material and financial resources are made by two separate agencies both of which report directly to the Supreme Soviet.39 Gossnab is the government's central supply agency, through which all raw materials and supplies in the Soviet Union are distributed. Gosplan is the government's financial planning agency which oversees the national budget. Until the "self-financing enterprises" were introduced under perestroika, the financial affairs of all enterprises were managed by Gosplan. 40

Land planning is conducted by Genplan, the central master planning institute. Master plans designating land use throughout the USSR are prepared every 15-25 years. These are then used by the local officials to guide development.

High-rise housing designs remain uniform throughout the USSR. This is attributable, firstly, to strict state design and construction regulations. Secondly, there is a strong ethic among the state construction organizations which encourages simplicity and discourages technological change. These organizations provide ultimate approval of the design
process. Consequently, even through new housing designs are created by local architects for the local homebuilding factories every five to seven years, the appearance of the buildings never changes.

Finally, centralized control disempowers the local Soviet governmental bodies. Historically, they have served merely as administrators of policy passed down to them from the state.

CENTRALIZED SUPPLY SYSTEM

One obstacle to privatization of housing is the centralized supply system which operates throughout the Soviet Union. All material resources are distributed by the state. In addition, prices for these materials are set by the state. Prices are not determined based on the forces of supply and demand, but instead, they are set to satisfy a political or ideological agenda or to balance the state budget. As a result, the financial mechanism in the Soviet economy is extremely primitive. It is material procurements which drive Soviet economic behavior.

Unfortunately, the emphasis on material procurements creates a "hoarding" mentality in which state factories and enterprises stockpile materials. By stockpiling, managers not only secure against future scarcity, but they also
create business opportunities for themselves. Stockpiling leads to an artificial scarcity in which everyone must negotiate to procure the materials needed to build the quantity of housing which the state has budgeted for a particular municipality. According to one source, the job of the local planner is to be the best "beggar". 41

If local ministries have to beg to procure building materials and individual builders have to break the law to procure building materials, the prospect of creating normal market relations is extremely limited.

CENTRALIZED PLANNING

The centralized land planning process in the Soviet Union is also problematic for privatization. Master plans are created many years in advance with very little input from local planners. This leads to inefficient use of local resources. In Leningrad, for instance, the soil conditions are very wet, and foundation systems utilizing spread footings would be most suitable. However, because state guidelines call for the use of piles (a more expensive foundation system), the method which would be most efficient is not used.

The development of high-rise industrial housing is an inflexible system which consumes resources and capital at an
enormous rate. Construction costs for high-rise building are much higher than they would be for low-rise and single family construction. Furthermore, the Soviets' reliance on prefabricated concrete construction necessitates considerable investment in plant and equipment. Finally, large capital and resource allocations must be made to satisfy infrastructural improvements and public transportation networks for each development. As a result, the state has little remaining to develop infrastructure for non-state housing.

With respect to land and resource allocation, priority seems to be given to the industrial and military sectors. Because of the Soviet ideological agenda, which calls for continued industrial and military expansion, the housing sector is a lower priority. Even during peak construction years, the housing sector was allocated only a small percentage of the state budget. In 1960, for example, only 15% of the state budget was allocated to housing. In recent years, as the Soviet economy has become increasingly stagnant, this percentage has diminished. In 1987, only 8% percent of the state budget was allocated to the housing sector.42 In a market system, housing is recognized by the government as an important sector of the economy, in large part, because it serves as a store for individual wealth. This recognition insures credibility in the marketplace and fosters the growth and stability of a financial mechanism for housing.
If housing were transferred to private hands in the Soviet Union, the government would similarly need to acknowledge its importance in the economy.

Historically, housing development has excluded the consumer from participating in the design and construction process. Because the state is a monopoly, there is no competition in the housing sector; the state, as producer, has no incentive to recognize consumer preferences. This creates a dilemma for privatization because it fosters an uneducated buyer. In fact, the consumer in the Soviet Union may not only be uneducated but complacent. The following anecdote from *The Glasnost Reader* suggests that the state has been skilled at instilling the belief that housing is a gift as well as a constitutional right:

The railing in a stairwell of a residential building has just been painted. "It turned out nice. Such a noble dark green color. You can even say that it had shades of red. Or was it rust that was coming through the paint? No one knows. Only it came out...not too ugly." Three days pass and the paint does not dry. The explanation by the building's chairman is "'Comrades, you can't place unrealistic expectations on this paint. Give it time, it'll dry...'" Two weeks pass, and the tenants call the painter. After the painter explains that the paint has probably been made with the wrong type of oil (but that it will undoubtedly evaporate soon, leaving the railing with streaks), the chairman says, "'...it's just as well. If it'll [sic] be with streaks, the dirt won't show'"...Again the tenants are satisfied. After several months pass, and the paint -- what is left of it -- has begun to dry, the narrator exclaims, "But one must remain an optimist and find good
sides in every sad situation. The paint...did not really turn out to be that bad, and it was affordable for the not rich [sic] folk. It came off the suits. You did not even have to wash them. It just disappeared by itself." In the end, the entire problem is blamed on the paint manufacturer.45

POLITICAL AND IDEOLOGICAL FACTORS

Decentralization of the decision-making process would be a prerequisite for any move toward privatization. Local governmental bodies must be empowered to take responsibility for the supply and allocation of housing. This transformation cannot occur through decrees passed down from central authorities. Instead, it must take place at a grass roots level.

Currently, the authority of the local ministries is severely constricted because they have no direct link to the Soviet workplace. It is the state ministries which oversee the factories and, because housing is used by many state factories as a "carrot" to attract and hold workers, the state ministries remain much more powerful than the local authorities.

There have been occasional rumblings in the past of transferring more power to local Soviets, yet none of these efforts has proven successful. This is due largely to the lack of political muscle behind the rhetoric. In the
Republic of Russia, ownership of state housing by the local Soviets dropped from 46% of living space in 1940 to 27% in 1956. This decline led to the enactment of legislation during the late 1950's and early 1960's to promote the transfer of properties from the state ministries to the local municipalities. However, the state ministries, anxious to maintain their power base, successfully discredited the administrative abilities of the local Soviets, and in 1975 the local Soviets in the Russian Republic had only increased their holdings to 35% of the total state-owned housing stock.44

Under perestroika, there is some evidence that the local Soviets are becoming more powerful. However, this gain is limited to Moscow and Leningrad -- the only two cities in the Soviet Union which have power over their local budgets. Interestingly, before perestroika neither city even exercised this power as a result of the long-standing reliance on decision-making from above.45

In Leningrad, through the election process in early 1990, LENSOVIET (Leningrad's legislative body) became, for the first time in history, a governmental body with real political power. In the past, elections were nothing more than a formality; one candidate who was hand picked by senior officials was elected. All local authority was held by ISPOLCOM, the executive committee which maintained direct
links to the central authorities. Because the head of ISPOLCOM is appointed by LENSOVIET, the 1990 elections effectively transferred power from the executive agency to a legislative body. This is an important step in shifting the political process from a centrally based system to one in which local authorities are empowered. The new chiefs of both LENSOVIET and ISPOLCOM are strong advocates for privatization and the establishment of a market economy. However, their hold on leadership is tenuous -- as reflected in the recent rumblings by more conservative elements of the communist party.

A poll taken by the Moscow News Weekly on five occasions between March, 1989 and March, 1990 shows that even if the local Soviets are able to gain power, they may not receive the confidence of the Soviet people needed to fully transform the political system. The poll asks "Whom do we trust?". Responses show that the local Soviets are among the least trusted organizations in the Soviet Union, paralleled only by law enforcement on two occasions by and religious organizations on one occasion. The most trusted organization on all five occasions was the Supreme Soviet. 46

Perhaps what is even more critical for the success of privatization than the historical lack of a local participation in the political process is the national
crisis of ideology -- a phenomenon which persists under perestroika.

As in past reforms, Mr. Gorbachev's movement has produced a myriad of new rhetoric which seems to attempt to integrate the proposed reforms into the existing communist system. Mr. Aganbegyan suggests that the process of privatization is one of socialization (not merely transferring ownership). In interviews at Lenniitag, Mr. Gorbachev's philosophy was described as "developing socialism with a human face". In spite of all this rhetoric, little has really changed in the basic structure of the Soviet political system to transform economic relations.

The difficulties arising from this are exemplified in one of the exposes produced by Hedrick Smith for "Inside Gorbachev's USSR", which describes the plight of an entrepreneur who has recently purchased a brick factory in Novgorod. Mr. Masarsky plans to launch a homebuilding business. Under perestroika, he has been able to form a cooperative. However, because of the monopolistic operation of the state, he is unable to successfully run his business. The state controls production and the allocation of supplies. When Mr. Masarsky needs materials, he must compete with the state enterprises, which are already "begging" for materials. Then, in order to pay for materials (if he is able to procure them) he must perform
Efforts to contact Mr. Masarsky upon arrival in Leningrad made the gravity of his situation apparent. At first, state officials denied the existence of his business altogether. When they finally acknowledged that his firm existed, they indicated that he has been forbidden to build anything in the city of Novgorod. Under the law, Mr. Masarsky is permitted to form a private business. However, because the system remains unchanged, he is unable to operate.

Clearly, the constraints which are imposed on Mr. Gorbachev by the conservative forces in the Communist Party are enormous. In a system of government where ideology and reality are not easily reconcilable, people have learned how to make use of the communist doctrine for their own ends. In the Soviet Union, professionalized politics is the name of the game. David Shipler notes,

"The ideological heritage has passed from thinkers and theoreticians to the textile engineers and metallurgists, the Brezhnevs, Andropovs, and Chernenkos whose interests in the everyday business of economic management have naturally prevailed over the more intellectual activity of enriching ideological thought...Consequently, Soviet Communists are...dedicated to the maintenance and improvement of the existing system of elaborate state ownership."

Khrushchev's attempted reforms failed as a result of the
same conservative forces which are constraining perestroika. Although Mr. Gorbachev has added another ingredient to his reforms (glasnost), his ultimate success at dismantling the conservative forces within the communist party is tenuous. Privatization cannot take place unless the liberal factions of the Soviet political system are fostered.
AFFORDABILITY ISSUES IMPACTING PRIVATIZATION

In spite of the recent growth in individual savings in the USSR, the following analysis suggests that housing affordability would be problematic if a privatization program were adopted. Official wages are low compared to living expenses. However, household income in the Soviet Union also includes an unofficial component: income earned from the secondary economy. Income earned from this sector of the economy (which is highly developed) is not measurable. As a result, it is difficult to ascertain real affordability. It is also difficult to imagine a successful privatization program under the present wage structure. Because the Soviet economy is socialized, wages are low and the consumer has little purchasing power.

INCOME PROFILE AND THE SECONDARY ECONOMY

The average official income per capita for citizens in the Soviet Union is reported to approximate 200 roubles per month. However, based on income data prepared in 1989, 70% of the population earns below 200 roubles per month. In Leningrad, the average official income per capita approximates 140 roubles per month. Based on the average household size (2.7 persons in Leningrad), it is possible to
create a hypothetical income profile. For illustrative purposes, the household will be comprised of two adults and one child. The official household income, in this case, would equal 280 roubles per month. Offsetting this income would be taxes and living expenses. Taxes (pro-rated on a monthly basis) would approximate 36 roubles (13% of official income), and food costs would equal roughly 250 roubles per month.\textsuperscript{51} Finally, rent for a two room apartment (including utilities and phone) would approximate 10 to 15 roubles per month. Already this family's monthly expenses exceed their official income. How, then, are they able to pay for clothing? Even domestically manufactured clothing is expensive: a pair of ladies shoes (made in the Soviet Union) could cost as much as 75 roubles and a ladies outfit (made in the Soviet Union) might cost 100 to 150 roubles.\textsuperscript{52}

Based on the above information, one would logically conclude that affordability is a critical barrier to transferring housing to private ownership in the Soviet Union. In the Leningrad region, prices for state housing cooperatives range from 10,000-30,000 roubles, and dachas and kitchen garden cottages seem to range from 10,000-30,000 roubles. Financing, though advertised, is not really available. Nevertheless, at least one in four families in Leningrad is estimated to own secondary homes.\textsuperscript{53} How is this possible?

An important element of household income cannot be found in
the state economy. In the Soviet Union, there is a vast secondary economy. Although there is no official data on the income earned in this economy, Sovietologist Gregory Grossman, of the University of California-Berkely, found that other sources of income from the recent emigres of Leningrad's working class totalled 38% of city's official wages. According to sources at Lenniitag, 30%-50% of the institute's 70 employees hold second jobs to supplement their official income. These include such activities as dressmaking, private tutoring, graphic design, and auto and home repair.

In fact, according to estimates prepared by Gosplan, goods and services which are provided outside of the state economy may approach $150 million per year (or 11% of the gross domestic product). Research prepared by Nikolai Shmelev, a Soviet economist, reveals that 83% of the Soviet population purchases goods and services in the secondary economy. According to Mr. Shmelev, in cities, 40% of auto repairs, tailoring, and shoe repairs are performed in the secondary economy and 50% of apartment repairs are performed in the secondary economy.

Often the secondary economy does not even involve the exchange of money. Because the Soviet Union is a country of shortage, the barter system is highly developed. Exchanging one good or service for another is common. In his article
"Inside the 'Collapsing' Soviet Economy", Richard Parker describes a meal in which he partook in Moscow during one of his visits. As always, his hostess was enormously resourceful. She had grown the vegetables at her kitchen garden plot, purchased the meat from a cooperative, purchased the cakes from a neighbor, received the figs from a relative in Georgia, and traded the wine and chocolates for theatre tickets.\textsuperscript{58}

The magnitude of the secondary economy is supported by the growing rate of savings in the Soviet Union. The savings rate in 1987 was 24 billion roubles, and, according to one source at Lenniitag, many citizens do not even store their wealth in savings due to a lack of confidence in the banking system.\textsuperscript{59} Twice since the Revolution -- in 1941 and in 1961 -- there have been currency reevaluations. Although in 1961, people were permitted to exchange their old roubles for the new ones, this was not the case in 1941. As a result, there may be many, particularly among older citizens, who store their money "under their mattresses". It is also noteworthy that during periods when the state has been especially vigilant of anti-communist behavior (e.g., under Stalin and Breshchnev), the government has checked bank accounts to verify income sources.\textsuperscript{60}

Based on the above information, it can be assumed that Soviet citizens earn more than they appear to. Although the
government began taxing unofficial income in July of 1990, it is not clear how this new tax system will be enforced. If it is enforced, there should be governmental data in the near future on the secondary economy. In the meantime, affordability cannot really be evaluated based on income.

Moreover, regardless of actual income, it appears that many Soviet citizens do not believe that they can afford private housing. A study prepared by one of Leningrad's most respected sociologists in 1989 surveyed 1,200 residents regarding their ability and desire to build and own their own homes. When asked what the respondents could afford to pay for a single family home, 50% said that they could not afford a house under any conditions. It is noteworthy that the question required respondents to consider both payment outright and payment under a long-term credit plan. Although the results of this study cannot be regarded as having any real quantitative significance (because the perception of affordability was not, in many cases, related to actual income), it can be used as a general guide. If the Soviet people do not perceive that they can afford to own their own homes, privatization is unlikely to succeed.

THE AUTOMOBILE

Another important factor related to affordability which would impact privatization is the inaccessibility of cars.
Cars, which have been extremely important to the growth of the land markets in the United States, are prohibitively expensive in the Soviet Union. If one is willing to wait as long as five years, one can purchase a car from the state auto manufacturer (Lada) for 10,000 roubles. It is also possible to avoid the wait by purchasing a car on the black market. However the cost can be as high as 30,000 roubles. As a result, only one person in ten has a car in the Soviet Union (vs. six in ten in the United States).\(^\text{62}\) In Leningrad, only one person in twenty has a car.\(^\text{63}\) Currently, due to the scarcity of cars, families who own secondary homes (which comprise one of the only privatized forms of tenure) rely on public transportation to travel to these homes. If the primary housing stock were to be substantially privatized, the lack of individual transportation would be an impediment.

WAGE STRUCTURE

In the above hypothetical household, the aggregate annual income generated from official sources would approach 3,360 roubles. Excluding the likely possibility of unofficial sources of income (which cannot be quantified), this household is barely subsisting. One of the problems with the income structure in the Soviet Union is that while wages are low, households receive enormous in-kind income in the form of rent subsidy, transportation subsidy, free health
care, free education, and free pension benefits. The nomenklatura as well as workers at certain designated factories or state enterprises also receive access to scarce consumer products.

Income taxes, though they exist, are token compared to the cost of all of these services. For privatization to take hold, the real cost of services must be accounted for. Costs for services provided by the state must be reflected in the tax structure, and costs for services incurred by citizens must be reflected in the wage structure. Otherwise, people have no purchasing power.

Restructuring the socialized economy in the Soviet Union is a major undertaking. In order for privatization of housing to succeed, the wage structure must be revised to provide purchasing power and the secondary economy must be reckoned with.
CULTURAL ISSUES IMPACTING PRIVATIZATION

The Soviet Union occupies 1/6 of the earth's land area (22.4 million square kilometers). Over 100 ethnic groups are represented among its 280 million citizens. Because of its vast area and its varied population, Soviet society encompasses enormous diversity. In spite of subjugation by the Soviet sociopolitical machine, all of the 20 republics have distinct historical and cultural traditions.

There are, however, some common elements of Soviet society which impact privatization of housing. Given the deeply rooted tradition of collectivism and authoritarianism, it is important to consider whether the people are willing to accept the personal responsibility and risks which would accompany private ownership. Inequality in Soviet life is institutionalized, and although this problem is one which plagues many societies, it cannot be remedied simply by implementing a market economy. Finally, family alliances in the Soviet Union are distinct and should be carefully examined with respect to privatization.

COLLECTIVISM AND AUTHORITY

"The sense of individual desire and personality
submerged in the broader group... is much more than a fragment of Marx and Engels polished by Lenin and stuck like an irritating splinter into Russian flesh. It has been absorbed into the structure of values and mores so that its violation stimulates genuine revulsion in many people."

In the Soviet Union, collectivism is an essential element of the culture which can be traced back to the blood-related tribal communities organized by the ancient Slavs. In the 19th century, the Russian peasantry held land collectively through communal villages (even though each family farmed individually), and under Soviet rule, the kolkhoz (or collective farm) was established. The ethic of collectivism creates an important obstacle to privatization because it discourages differentiation among people.

There is a Russian proverb which asserts that "In a field of wheat, only the stalk whose head is empty of grain stands above the rest." Under Soviet rule, collectivism has served the communist party as a mechanism of social control. Joseph Stalin created a legacy of fear which endures among Soviets even today. As a result, three and four generations of people have learned, by necessity, not to differentiate themselves from others. David Shipler describes the scientist who is likely to be viewed as an egoist for supporting unorthodox experiments and the architect who avoids claiming authorship of an innovative plan to prevent accusations by others that he is seeking credit. The long-standing tradition of collectivism has created a
society in which citizens are discouraged from developing their individuality.

Under perestroika, the ethic of collectivism has been challenged. By encouraging the forces of market economics, Mr. Gorbachev has shaken this deeply rooted tradition. The establishment of cooperative stores, for instance, calls on citizens to accept price differentiation, and there are many who refuse to shop at these stores because they are unwilling to accept this new principle. Soviet people are accustomed to uniformity, and when the price for milk changes, they lose a sense of security.

Collectivism is valued by Soviet citizens because it provides a sense of security. One employer, who had recently attempted to promote his assistant, requested that she sign a contract in which her performance would be evaluated. She declined the promotion because she was uncomfortable signing a contract. The security she maintained in her old position was paramount. Mr. Maslennikov, the Director of Lenniitag, has attempted to remedy this sensitive issue by paying his employees a salary plus a bonus. This preserves the employees' sense of security while encouraging them to strive for individual success in their work.

Anna Maslennikov, a linguist at the University of Leningrad,
explained that she had been offered a job for a cooperative which would pay 1,000 roubles per month for working nine hours per week. In her present position, she earned 200 roubles per month for working 18 hours per week. According to Anna, this sort of differentiation makes people feel like they have been working for nothing. It makes them question what they are really worth. In a society driven by market forces, this sort of questioning is essential. However, in the Soviet Union where differentiation has been scorned for so many years, it shakes the very foundation of people's values.

One important theme in Soviet culture which is inextricable from collectivism is the reliance on authoritarian leadership. In the Russian Empire, serfdom was not abolished until 1861. While Europe was undergoing rapid urbanization accompanied by the rise of mercantilism (and the middle class), Russia remained a rural empire with an estate-like social structure. By 1915, only 15% of the population occupied urban centers. Even as industrialization took hold in the late 1800's, the role of the factory bosses merely replaced the role of the nobility; the proletariat grew as a subjugated class of people.

The issue of authoritarianism as it relates to the political environment in Soviet Union, has been discussed above in Section III ("Privatization and the Political Process").
David Shipler describes this phenomenon as "...the need for a solid structure of allegiance in which to order and explain reality." 68 Reliance on authority transfers responsibility away from the individual and reduces personal risk resulting from loss or failure. This is antithetical to many of the tenets upon which America has based its philosophy of private property. Although it would be arrogant to suggest that privatization of housing in the Soviet Union should be modelled after the system which exists in the United States, it is difficult to imagine how the Soviets can achieve privatization without reducing their reliance on authority.

Under perestroika, Mr. Gorbachev has encouraged people to form private business ventures. However, many seem unwilling to accept the personal accountability and risk which this entails. Hedrick Smith interviews several farmers in his expose "Inside Gorbachev's USSR" who provide the following insights: "To lease it means I have to work on this land myself. But if the weather is nasty or something, how will I manage? What if I do not have enough feed from [sic] my cows? What if I do not have enough strength?" Another farmer who was offered land and machinery leased by the state as well as seed and fertilizer for a potato farm said, "No, I won't take it." When asked why, he said, "No rain, no potatoes...You are paying me a salary, right?...If I lease from you, and there is no rain, I would still have
to work. But who will pay me? I have a loss, and then there will be nothing to eat." 69

There are those who are forging ahead as entrepreneurs under perestroika. Several cooperative owners met expressed confidence that they could achieve success in their business ventures. However, in analyzing the prospects for privatization, the possibility that many may not be willing to pay the personal cost for creating a market system cannot be ignored.

The authoritarianism which the Soviet government has espoused includes controlling the geographic movement of people. The internal passport (propiska), which all citizens are required to carry, prevents people from moving without proper documentation. Moving from one region to another is normally only accomplished as a result of a job change. It is noteworthy that collective farmers were not even given propiskas until 1974. Without this documentation, they could not even leave their farms. Moving to Moscow or Leningrad is especially difficult, and those who hold propiskas in either city are looked upon, by many, with envy. In fact, people have been known to arrange their marriages in order to gain access to a propiska in these cities.

Lack of mobility (due either to the previously mentioned
scarcity of cars or to the limitations imposed by the propiska) poses an interesting problem for privatization because it severely constrains the marketplace for private ownership. In the United States, for instance, where real estate prices are based upon demand, constricting supply (e.g., through government regulation) results in rising prices. One can surmise that constricting population movement in the Soviet Union would similarly impact the real estate market.

INEQUALITY

Inequality in the Soviet Union is deeply rooted, and it is naive to assume that merely by altering economic relationships, the powerful forces of history which have fostered inequality will suddenly fall away. Soviet society has functioned as a class system for centuries. Under Peter the Great, for example, a military class structure (called tchinn) was established, and the entire population was classified into 14 official categories. It is notable that this class structure was distinct from the system which existed in Occidental Europe where classes were distinguishable by their family names and their land holdings. In contrast, under the system of tchinn a person's position in society was directly linked to his/her relationship to the imperial government and the czar.
With the Revolution, the class structure was to be dissolved. Although the nobility was squashed, the class structure did not dissolve. Today there are many classes of people in the Soviet Union: the aparachik, the nomenklatura, the intellectuals, the workers. Each is bestowed with specific qualities.

Under Soviet rule, inequality has been institutionalized. Section II described how the housing allocation system provides the most desirable living accommodations to those groups of people who are perceived to be society's greatest contributors. The propiska is yet another example of systematic inequality. As the above example of the collective farmers indicates, use of the propiska institutionalizes discrimination against certain groups. Those who are well connected in the communist party are granted permission to live in cities such as Moscow or Leningrad. There, they are usually insured better living accommodations and can gain access to the best educational institutions.

The Soviet state also fosters inequality through the distribution of goods and services. In theory, goods produced in each republic are sold to Gossnab and then redistributed. Thus, citizens throughout the USSR have access to all of the same goods. In practice, however, this is not the case. Some republics seem to have a much greater
supply of certain goods than others. This is, in part, reflective of the widespread corruption within the system. Because of overstocking and bartering at the enterprise level, goods do not flow equally throughout the republics.

The Soviet system is built on the concept of social equality, yet on many levels inequality is institutionalized. As a result of this phenomenon, certain groups are prevented from participating in the society on an equal basis. If a market economy were established without altering the societal norms of inequality, the inability by some to participate equally in the economy would prevail.

FAMILY

Finally, privatization must be evaluated in relation to the family structure in the Soviet Union. At the time of the revolution, the dissolution of the nuclear family was considered paramount. "...the family, like the state, was towither away...Under communism, it would give up its major functions, especially child rearing and property holding to the society at large." The rapid growth of industrialization which was accompanied by a shrinking labor force quickly dampened this ideological agenda. In the 1930's, Stalin imposed the redomesticization of women. Awards were created for mothers who produced large families,
and the liberal abortion and divorce laws which had been established under Lenin were curtailed or abolished. These efforts to expand the work force, which began under Stalin and which continued into the 1970's, were never successful. In fact, the country still suffers from an insufficient labor supply. The Soviet Government's failure to expand its labor force was (and is) largely attributable to the inadequate housing provided to Soviet citizens.

As a result of shifting ideological trends, the nuclear family in the Soviet Union is in crisis. This has created a number of social problems. For example, the divorce rate is high (over $\frac{1}{3}$ of marriages end in divorce), and responsibilities of women have become enormous. In addition to taking equal responsibility for providing for their families in the workplace (90% of the women in Leningrad work full time), many are still the primary caretakers at home. Furthermore, as the availability of basic necessities continues to worsen, women spend more and more of their time waiting in lines.

Several of these issues are problematic for privatization. The rising divorce rate has created many of the same economic problems which are facing the United States. More and more households are headed by women. In the Soviet Union, as in the U.S., women do not have the same earning power that men do. Consequently, their ability to purchase
housing, if it were privatized, would be limited -- even more limited than the scenario presented in Section IV.

More importantly, families often share housing. It is not uncommon to see households comprised of various relations. In fact, family size in the Soviet Union is measured by the number of persons in a household not by the number of persons in a particular nuclear family. Children may marry and remain with their parents, and older siblings may live together. In part, this is the result of adapting to the continuous shortage of housing. It may also be rooted in collectivism. Family relations in the Soviet Union are very important. Anna Maslennikov said that she and her husband had been invited to move to Moscow several times, but on each occasion they had declined because her relatives are in Leningrad.

Defining the household unit presents an obvious dilemma for privatization. Who buys the house? And who owns the house? Is the land owned by all the members of the household? Or does one person maintain title? These questions are complex and to presume that they would be resolved by implementing a privatization program is shortsighted.

The cultural issues presented in the above discussion should be considered with respect to privatization of housing because they reflect some of the basic values of Soviet
society. Under perestroika, many of these values are being publicly debated. Although this public debate is likely to be an important first step toward change, it is only a first step.
CONCLUSIONS

The Soviets' plan to build 20-25 million new dwellings by the year 2000, while at the same time restructuring the delivery system so that 70% of all state-owned housing is transferred to private ownership, must be viewed at this point with a certain skepticism.

The current system for allocation of housing is fraught with difficulty. Although the Soviet state has attempted to provide a minimum standard of living for all of its citizens through a complicated system of distribution, the continuous shortages which result from an inadequate production process have led to structural inequalities in this system. Certain groups are able to procure better housing than others as a result of having better access to state organizations.

Historically, there have been several forms of tenure which enable individuals to own their own homes (e.g., the cooperative and the individual home sectors). However, these have never gained enough state support to flourish. Under perestroika, Mikhail Gorbachev has attempted to encourage the growth of these sectors through establishing a
legal framework. Nevertheless, the lack of building materials and financing continues to obstruct their growth.

The scarcity of building materials can be attributed, in a large part, to the centralized system of supply which is extremely inefficient. Even state construction organizations often have to resort to unethical behavior to procure needed supplies. Furthermore, the simplistic budgetary system of management has prevented the growth of any financing mechanism in the economy.

Centralized planning also creates a formidable barrier to privatization. It ignores local and individual input in the construction and design process and utilizes enormous capital. The large scale allocations for infrastructural improvements and transportation networks which accompany the development of high-rise industrial housing leave little funding and resources for the development of a private housing sector. Unfortunately, because of the nature of the political environment in the Soviet Union, centralized systems are self-perpetuating. Local political bodies have only recently begun to establish authority within the system, but their powers are tenuous. Furthermore, the political ideology which dominates economic relationships in the Soviet Union is often abused by the central powers.

Affordability issues are critical to any privatization
program. Official income among Soviet citizens is low in comparison to living expenses. However, there is strong evidence that the secondary economy provides a significant supplemental source of income. The barter system is highly developed. Because the secondary economy has never been monitored and the barter system is poorly suited to a market economy, any move toward privatization would have to be accompanied by a shift in the income structure in the Soviet Union. Wages are low, in part, because the socialized economy subsidizes most services. If a market economy were adopted, wages would have to be restructured to provide citizens with greater purchasing power.

Perhaps the greatest impediment of all to privatization lies in the deeply rooted cultural traditions of collectivism and authoritarianism which have discouraged differentiation among people and prevented people from taking personal responsibility and risk. Systematic inequality is also a significant factor in Soviet culture which will not easily die with the implementation of a market system. Finally, if the Soviet government is to undertake such a radical program, family relations must be closely examined.

The analysis presented in this paper was gained through two weeks of fieldwork in Leningrad and through researching the available literature (which is limited due to the rapid changes which are taking place in the Soviet Union at
present). As a result, the conclusions which follow should be viewed as exploratory:

1. Based on observations in Leningrad, privatization is not a remedy for the housing problem. Housing is symptomatic of a larger set of sociopolitical, economic, and cultural issues which left unresolved will hinder any proposal for solving housing problems in Leningrad.

2. In Leningrad, any move towards transferring state-owned housing to private hands must be preceded by a restructuring of the basic tenets of housing allocation under the current system. Housing can no longer be inextricably linked to the political process and used as a method of reward. Furthermore, the sectors which do encourage private ownership under the current system of allocation (e.g., the cooperative and individual home sectors) must be fostered through the development and continuous availability of a financing mechanism for individual owners and through the development of a retail trade for building materials. Proclamations and laws are not sufficient to foster the growth of these sectors.

3. Privatization depends on local access to materials and services. Thus, any move towards transferring ownership to private hands must be accompanied by the elimination of Gossnab's control of the supply of materials and the
establishment of a local distribution network. As the analysis of Leningrad indicates, the centralized system of supply restricts movement of goods and services -- thus fostering inequality -- and creates artificial scarcity in the economy. The primitive budgetary system of finance must also be restructured and a housing finance mechanism must be created to foster home purchases.

4. Any solution to the housing problem in Leningrad must be predicated on a fundamental shift of responsibility for the supply and allocation of housing from the state to the local level. Without strong local control, particularly in the hands of local elected representatives such as the Leningrad City Council, housing solutions are likely to repeat the historical trends that have been deeply entrenched over the last 70 years.

5. As the Leningrad example illustrates, the socialized economy in the Soviet Union must be restructured. Wages must reflect the real cost of living, and in-kind subsidy must be made measurable so that the real cost of services provided by the government are accounted for. The role of the pervasive secondary economy in housing production that currently operates in such areas as allocation and material procurement must be recognized. This economy has strength; it is one example where market forces are at. As a result, it may be an appropriate starting point for the expansion of
privatization.

6. Finally, market economics depends on consumer values. As a result, the deeply rooted tradition of collectivism and authoritarianism and the institutionalized inequalities which pervade the lives of Leningraders must begin to shift. Taken a step further, consumer preferences must begin to be expressed for privatization of housing to take hold.
APPENDIX A
HOUSING AND POPULATION DATA IN LENINGRAD

<table>
<thead>
<tr>
<th></th>
<th>ACTUAL 1986</th>
<th>PROJECTED 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL POPULATION</td>
<td>4,900,000</td>
<td>5,290,000</td>
</tr>
<tr>
<td>Breakdown²</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESIDENTS OF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEPARATE FLATS</td>
<td>2,725,000</td>
<td>4,877,000</td>
</tr>
<tr>
<td>COMMunal FLATS</td>
<td>1,755,000</td>
<td>153,000</td>
</tr>
<tr>
<td>DORMITORIES</td>
<td>420,000</td>
<td>260,000</td>
</tr>
<tr>
<td>AVERAGE HOUSEHOLD SIZE (EXCLUDING DORMITORIES)</td>
<td>2.70</td>
<td>2.55</td>
</tr>
<tr>
<td>TOTAL HOUSING AREA IN SQ METERS</td>
<td>76,000,000</td>
<td>104,100,000</td>
</tr>
<tr>
<td>TOTAL LIVING AREA IN SQ METERS³</td>
<td>47,500,000</td>
<td>63,570,000</td>
</tr>
<tr>
<td>TOTAL HOUSING AREA PER CAPITA IN SQ METERS</td>
<td>17.0</td>
<td>20.7</td>
</tr>
<tr>
<td>TOTAL LIVING AREA PER CAPITA IN SQ METERS³</td>
<td>10.6</td>
<td>12.6</td>
</tr>
<tr>
<td>ANNUAL CONSTRUCTION VOLUME</td>
<td>1,700,000</td>
<td>2,300,000</td>
</tr>
</tbody>
</table>

¹All figures (with the exception of those identified in footnote "²") were provided by Lenniitag.

²The breakdown of residents occupying separate and communal flats was estimated for 2001 was based on average household size.

³Living area in the Soviet Union excludes kitchens, bathrooms and corridors within the dwelling.
FOOTNOTES


3 E. Kudryavtsev, I hereby Apply for an Apartment, (Moscow, Progress Publishers, 1986). "This right is ensured by the development and upkeep of state and socially-owned housing; by assistance for co-operative and individual house building; by fair distribution, under public control, of the housing that becomes available through fulfilment [sic] of the programme of building well-appointed dwellings, [sic] and by low rents and low charges for utility services."

4 Directly translated, perestroika means reconstruction. The notion of perestroika was created by Mikhail Gorbachev in 1985 primarily as a remedy to the growing stagnancy in the Soviet economy.

5 Goscomarchitecture, "On Housing Strategies in the USSR", (Undated draft @1989), p. 3. Statisticians in the Soviet Union report housing data in relation to household size. Currently, the average household size approximates three persons.

6 Ibid, pp. 4-5 & 13.


8 Ibid.

9 A. Agabegyan, Inside Perestroika, (New York, Harper & Row, 1989), p. 16. Although the savings rate in 1987 was exceptionally high, there is strong evidence that Soviet citizens are accumulating savings at a much greater rate, under Perestroika than in past years. Average annual deposits during the years 1980 to 1985, for instance, were less than 13 billion roubles.

10 Figures on specialized housing provided by Lenniiitag.

It is noteworthy that the term "private property" does not exist in the Russian language. Real property which is owned by individual citizens is called "personal property".

Directly translated, glasnost means openness. The concept of glasnost was created by Mikhail Gorbachev in 1985 in conjunction with perestroika. Its purpose was to publicly expose the growing corruption within the Soviet political system.
(June 15, 1990).


31 Ibid, p. 91. It should be noted that the cooperative construction has always been concentrated in urban areas, like Leningrad.

32 Valere Antonov, Deputy Managing Director at Lenniitag, (June 14, 1990).

33 Vladimer Linov, Chief Architect at Lenniitag, (June 10, 1990).

34 Valere Antonov, Deputy Managing Director at Lenniitag, (June 13 & 14, 1990).

35 Ibid.

36 Ibid.


39 The Supreme Soviet is the legislative branch of the Soviet government which is comprised of 500 members who are elected by the congress of people's deputies.

40 The term "self-financing enterprise" refers to a new group of enterprises (established under perestroika) which operate using the principles of cost accounting. In theory, profits remain with the enterprise and are used to fund ongoing business expenses. This mode of operation sharply contrasts the administrative system of the past, in which profits (and anything produced) went from the enterprise to the state for redistribution.


42 Valere Antonov, Deputy Managing Director at Lenniitag, (June 14, 1990).


47 Hedrick Smith, "Inside Gorbachev's USSR, (Boston, WGBH, 1990).


49 Facts and Arguments, Spring 1990.

50 Helena Steinbach, Sociologist at Lenniitag, (June 10, 1990).

51 Ibid.

52 Ibid.

53 Michael Berezin, Research Director at Lenniitag, Interview, (June 9, 1990).

54 Richard Parker, "Inside the 'Collapsing' Soviet Economy", The Atlantic, (June 1990), p. 70.


57 Ibid, p. 70.

58 Ibid, pp. 69-70.


60 Vladimer Linov, Chief Architect at Lenniitag, (June 10, 1990).


63 Michael Berezin, Research Director at Lennitstag, (June 9, 1990).


65 Ibid, p. 73.

66 Ibid, p. 72.


69 Hedrick Smith, "Inside Gorbachev's USSR, (Boston, WGBH, 1990).


73 Ibid, pp. 55-56.

74 Helena Steinbach, Sociologist at Lennitstag, (June 10, 1990).
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Baranov, Albert. Leningrad City Council Member and Sociologist, (June 9, 1990).


Krivov, A. S. Deputy Chairman of the State Committee for Architecture and Planning (Goscomarchitecture), (April 23, 1990 at the Massachusetts Institute of Technology).


Maslennikov, Nikita. Director of Lenniitag, (May 2, 1990 at the Massachusetts Institute of Technology in Boston and June 20, 1990 in Leningrad).


In addition to the above formal interviews various informal interviews were conducted. Among those interviewed on an informal basis were: Anna Maslennikov, a Linguist at the University of Leningrad; Tatiana Gurkina, an Economist at Lenniitag; Helena Pesotskaya, Chief Economist at Lenniitag; Dimitri Sergejevitch, a cooperative business owner from Estonia; and members of two families from a home-building cooperative in the Leningrad region.