August 30, 1991

NEW DATA SHOW THE DEPTH OF
THE SOVIET ECONOMIC COLLAPSE

There are many reasons for the coup attempt in the Soviet Union last week. Mostly, it was a last-ditch attempt by the hardliners to hold on to power and to prevent the decolonization of the Soviet empire. However, another reason why the hardliners tried to topple Mikhail Gorbachev was that the economic crisis was weakening communist control over the economy. The Soviet gross national product declined 10 percent in the first half of 1991, foreign trade dropped 37 percent, and this year's grain harvest is down 50 percent from last year.

To make matters worse, inflation is over 100 percent and the ruble is worthless, thus forcing most economic transactions to be conducted in barter. Despite recent price increases, moreover, most goods still are not available in stores.

Volumes could be written about the economy's freefall. Sometimes, however, numbers speak more powerfully. The following graphs illustrate dramatically how completely the Soviet economy is collapsing. Production, for instance, is down in sectors ranging from oil to shoes and employment has been falling since 1987. Heritage Foundation E. L. Wiegand Fellow Leonid M. Grigoriev and fellow Soviet economists Olga V. Ivanova and Sergei A. Nikolaenko constructed these graphs in Moscow. This is the first time these graphs have been published. They demonstrate vividly the economic challenges ahead for the democratic reformers in the republics of the Soviet Union.

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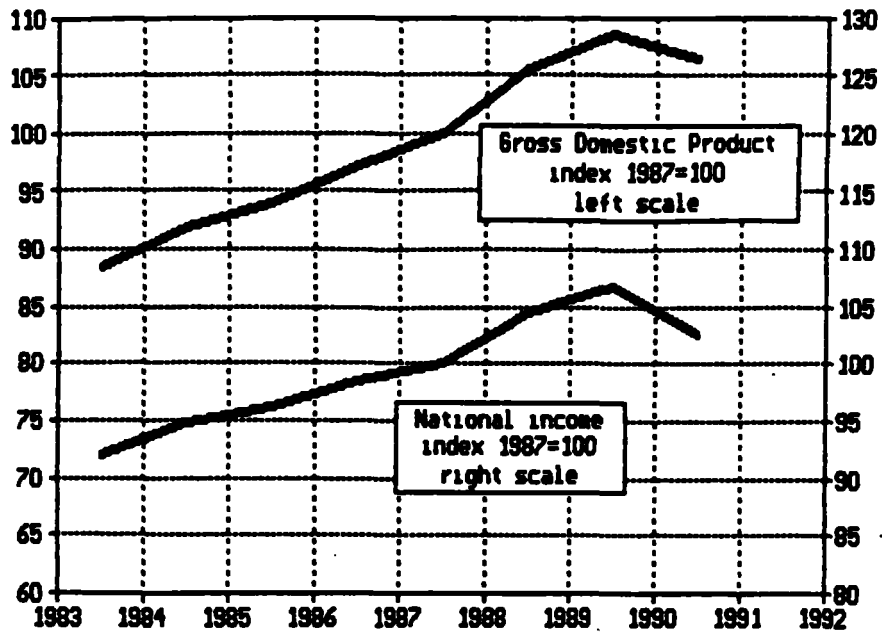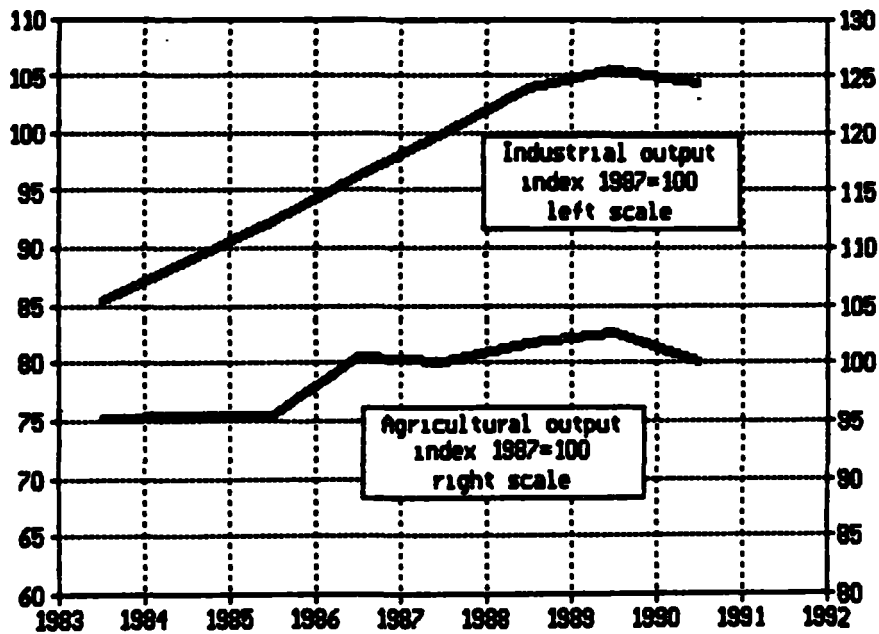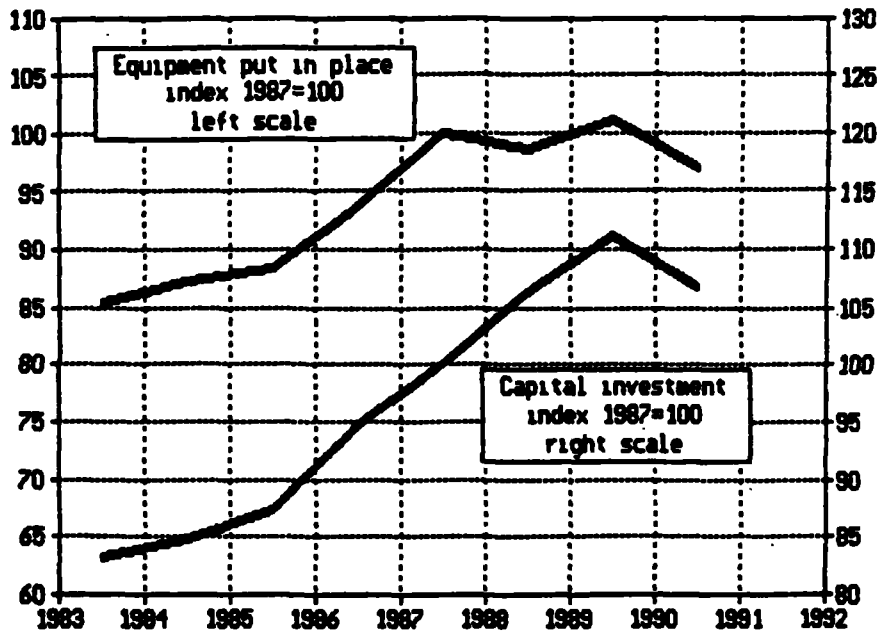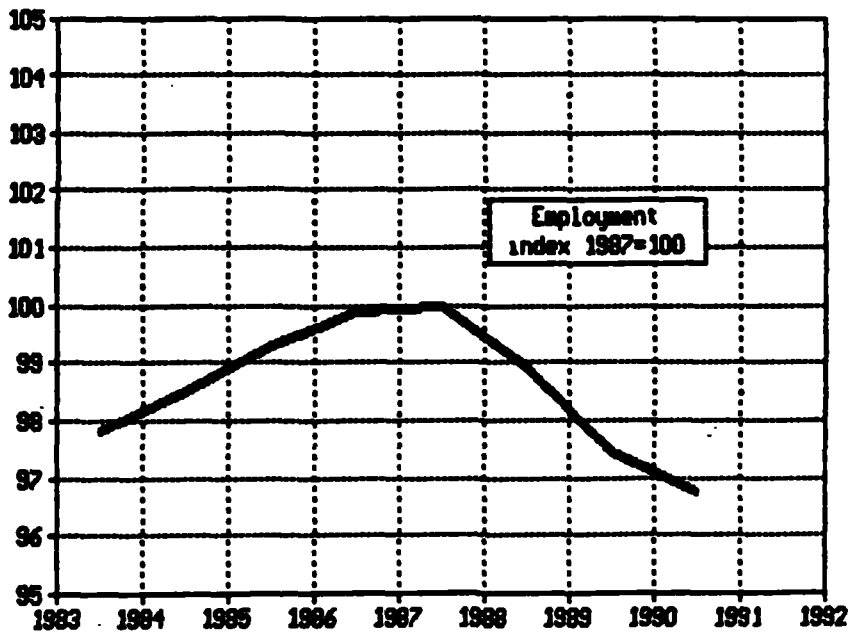# Chart 1
Soviet Economy Stalls...

Gross Domestic Product
index 1987=100
left scale

National income
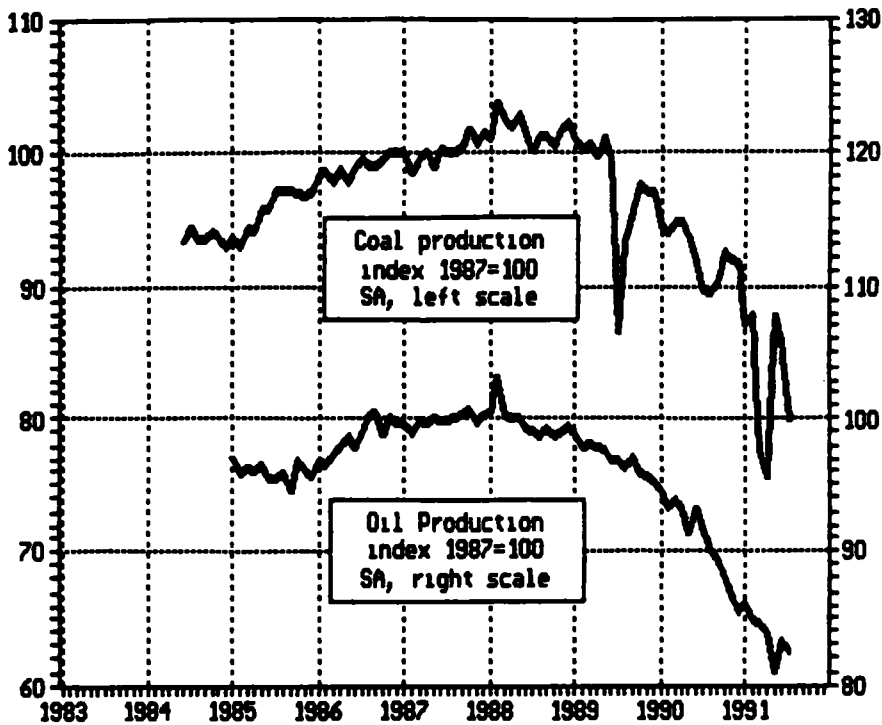index 1987=100
right scale

Chart 2
As Industrial, Agricultural Output Drops

Industrial output
index 1987=100
left scale

Agricultural output
index 1987=100
right scale

Chart 3
Equipment and Investment Decline...

Equipment put in place
index 1987=100
left scale

Capital investment
index 1987=100
right scale

Chart 4
Following Decline in Employment

Employment
index 1987=100

Chart 5
Coal and Oil Production Fall Rapidly...

Coal production
index 1987=100
SA, left scale

Oil Production
index 1987=100
SA, right scale

Note: SA = Seasonally Adjusted

Chart 6
As Electrical Production Stagnates and Gas Production Slips

Electricity production
index 1987=100
SA, 3 mo.average
left scale

Gasoline production
index 1987=100
SA, 3 mo.average
right scale

Note: SA = Seasonally Adjusted

4
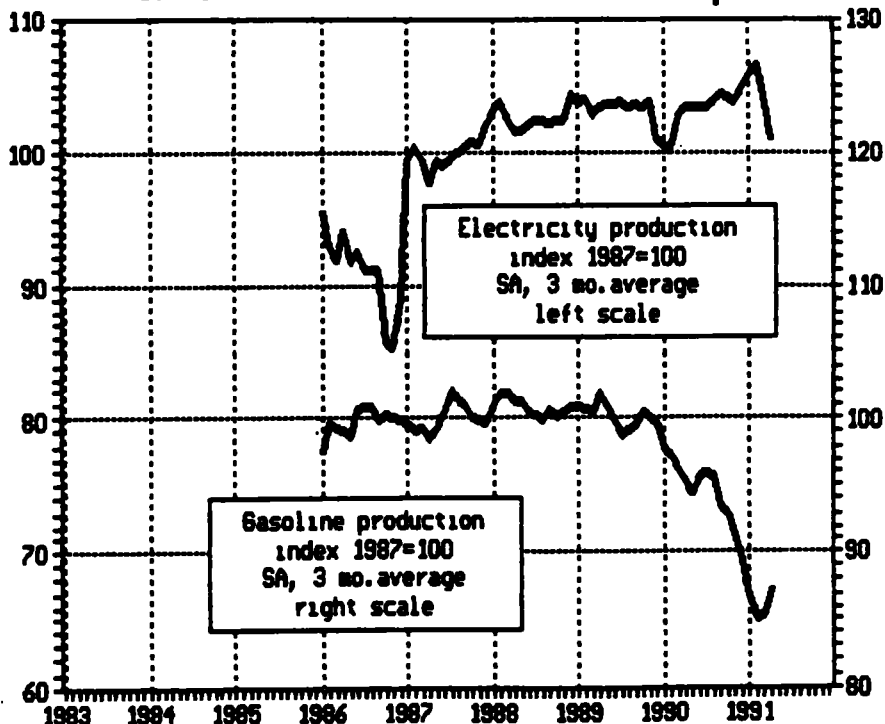
Chart 7
Car and Truck Production Plummets

Truck production
index 1987=100
SA, 3 mo. average
left scale

Car production
index 1987=100
SA, 3 mo. average
right scale
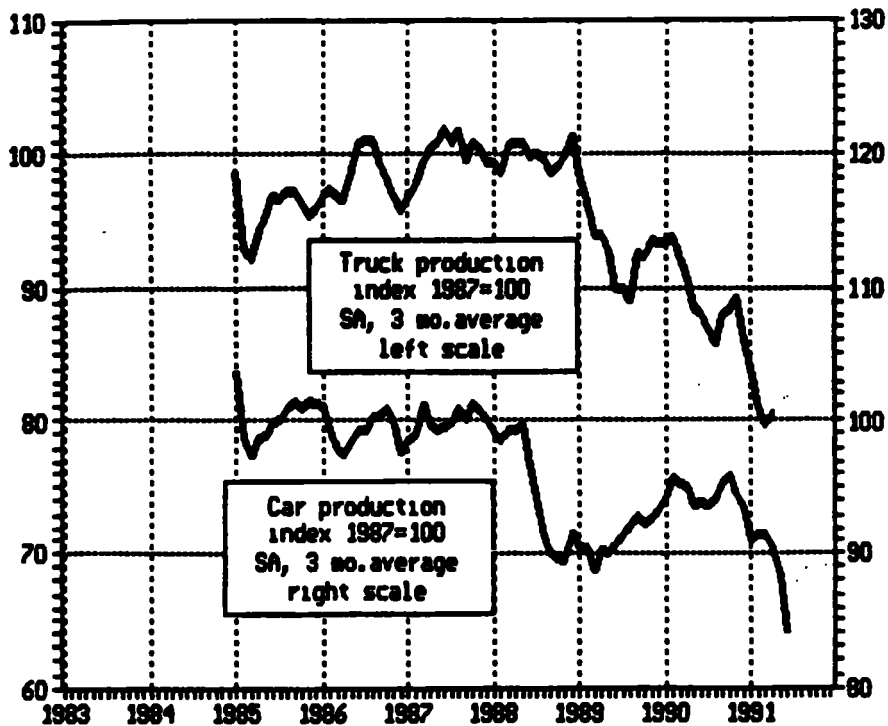
Note: SA = Seasonally Adjusted

Chart 8
Vegetable Oil and Shoes Become Scarcer

Vegetable oil production
index 1987=100
SA, 3 mo. average
right scale

Shoes production
index 1987=100
SA, 3 mo. average
left scale
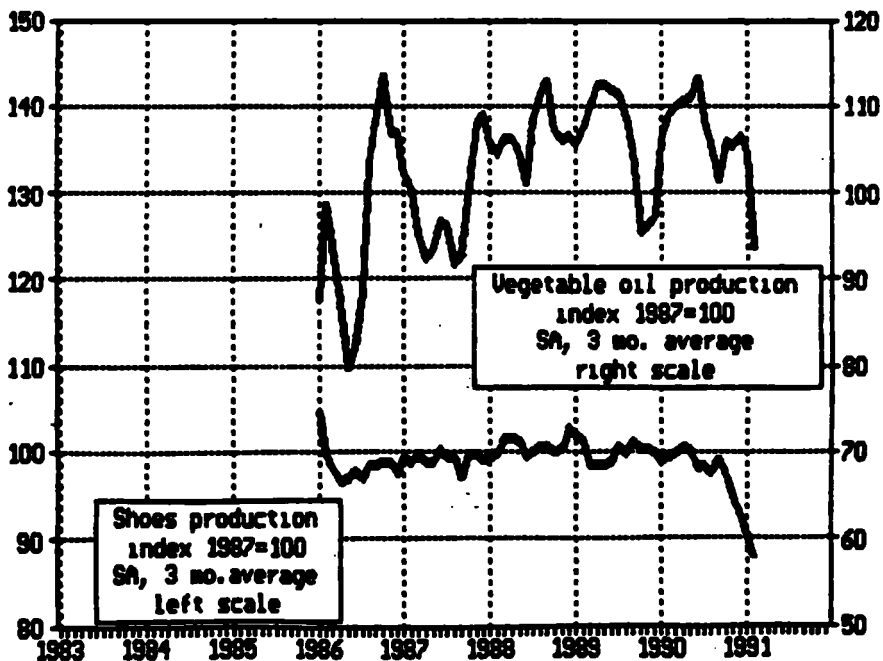
Note: SA = Seasonally Adjusted
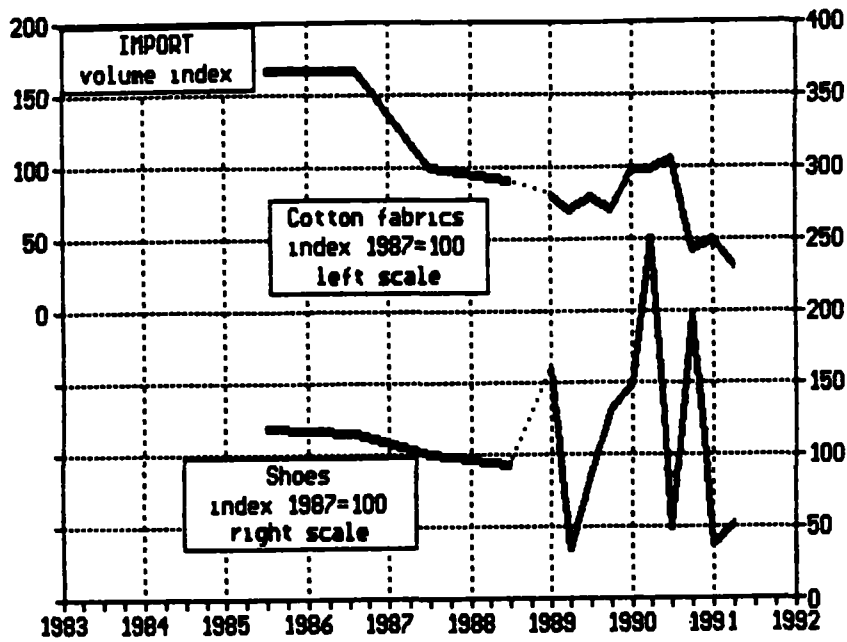
Chart 9
Fabric and Shoe Imports are Halved...
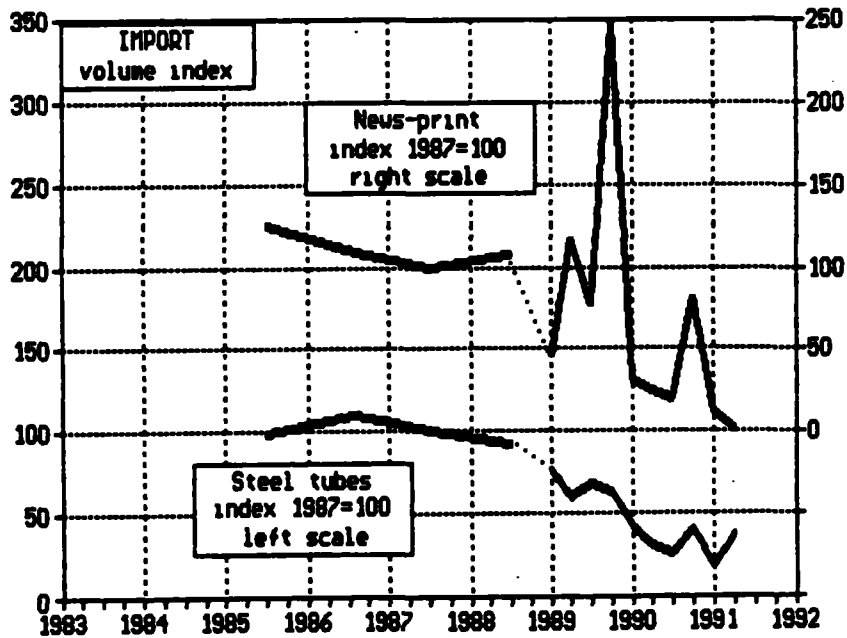

Chart 10
As Newsprint Imports Stop

Chart 11
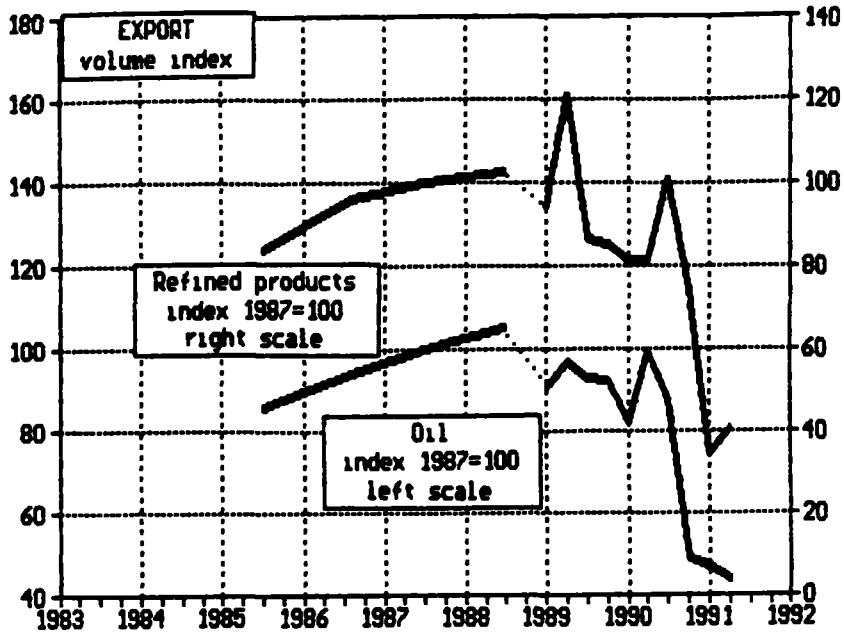# Oil and Refined Product Exports Collapse...

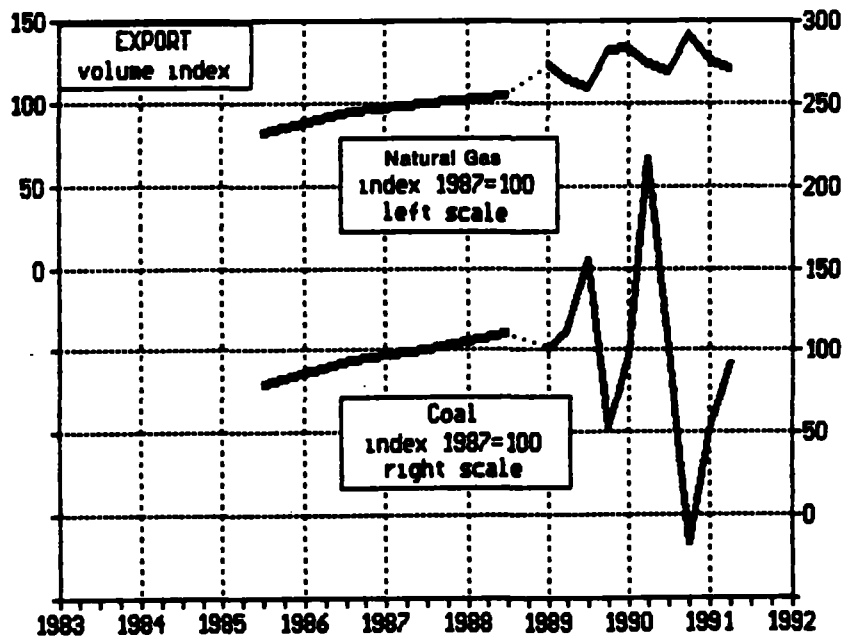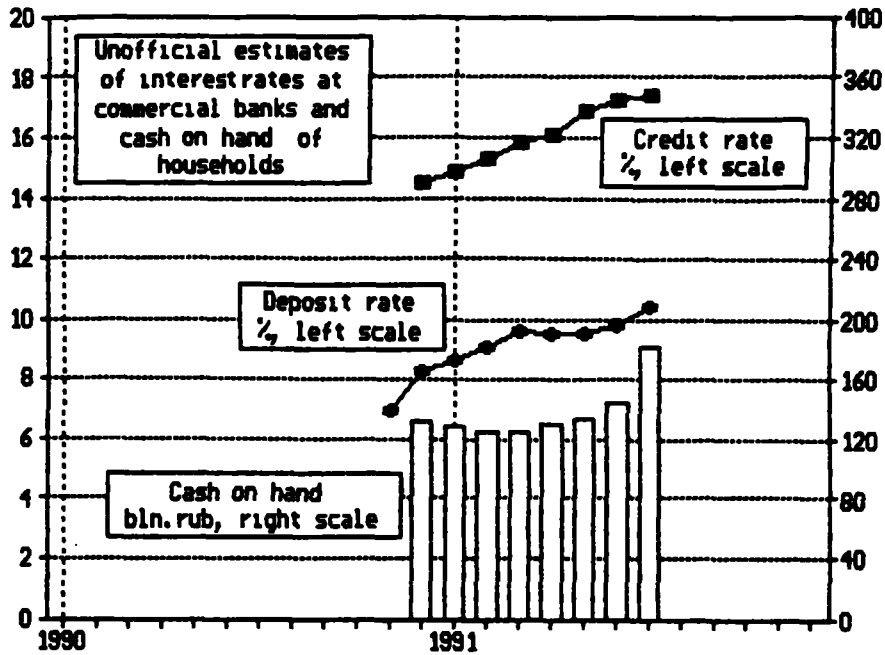# Chart 12
While Natural Gas Exports
Stabilize, Coal Sales Rebound

Chart 13
Interest Rates and Cash Supplies Climb...

Unofficial estimates
of interest rates at
commercial banks and
cash on hand of
households

Credit rate
% left scale

Deposit rate
% left scale

Cash on hand
bln. rub, right scale

1990

1991

Note: bln. rub - Billions of Rubles

Chart 14
While the Cost of Living Soars

Unofficial estimates
of cost of living
index march 1990=100

Poor basket

Rich basket

Average basket

1990

1991