

# PARTY Card, RATION Card

*The Soviet economy is in tatters, with official rationing enforced in Moscow and Leningrad. But the transition to a market economy is fraught with social upheaval. ALR spoke to Alec Nove in London on the extent of the crisis.*

**A**LEC NOVE is emeritus professor of economics at Glasgow, and a distinguished expert on the Soviet economy since his first visit to the USSR in 1955.

Among his works are *The Soviet Economic System* and *The Economics of Feasible Socialism*. His latest book, *Glasnost in Action: Cultural Renaissance in Action* is published by Unwin Hyman, 1990. He was interviewed in London by Mike Ticher.

Would you agree that, at the moment, of all the problems facing Gorbachev, the economy is the most fundamental?

Yes, although now it's very much complicated by politics as well; the economic mess and political mess interact, and

one of the reasons why it's extraordinarily difficult to make any headway with the economic mess is the collapse of political power. The two are connected, and are both a source of great worry.

What's your perception of Gorbachev's compromise plan for the economy?

As a plan it's quite radical. I'm rather surprised it's called a compromise plan. If you look at the actual content, a great many of the aims are in common with all the plans and with Shatalin's original version. They want to get to a market economy; they are all unclear about the ultimate role of the state; they all speak of privatisation, some more enthusiastically than others, but it isn't clear precisely what are going to be the limits of privatisation or, indeed, the possibilities of privatisation. You can't create capitalism without either capital or capitalists. There's a



Graphic: Rod Clement

great shortage of both. Whether it's desirable or not is another question.

I'll give you an example. The most radical of the plans still envisages that almost 90% of the total sown area of the Soviet Union would probably be cultivated within state and collective farms. For no other reason than the practical, there are extreme difficulties of shifting to individual cultivation when you need new investments, new buildings, more machinery and, of course, a bunch of peasants who actually want to be individual peasants.

**Do you share the view that there's also a psychological problem with the Russian people when it comes to being capitalists?**

I think so. It's a very interesting psychology in the sense that it's a combination of the sort of attitudes and style of a market-type society, which you got in the 19th century, with the intellectuals like Dostoevsky on the one hand, and the sort of communal or communalist traditions of the Russian peasantry on the other. After all, at the time of the revolution, they demanded the nationalisation of the land, they considered that the purchase and sale of land was somehow immoral.

**Would you distinguish between Russians and other nationalities within the Soviet Union?**

I would certainly do that. The most obvious distinction is with the Baltic republics where they have a completely different attitude, different work ethic and different traditions. In these societies, oddly enough, at least in Estonia and Latvia, in the old days before the revolution, the landlords were German, and between the wars the Latvians and Estonians in fact largely expropriated the German landlords and distributed the land to the peasants - and then the Soviets came to take it away again! You can see that this is a completely different historical experience and a different tradition. Central Asia is something else again. The Georgians are past masters at blackmarkets and evading the regulations. They, too, I think, should be looked at differently.

The essential point is, nobody doubts that among the obstacles to change are folk attitudes because, of course, reinforcing tradition there's also 70 years of communist propaganda. Buying and selling is 'speculation', therefore any co-operative intermediaries, for example, are straightaway lampooned, or persecuted almost, as speculators. Part of the reason is that, in the extremely distorted market that they have, free trade does enable some people to get unreasonably rich. But another reason

is simply that personal enrichment through buying and selling is regarded as wrong.

**You mentioned the lack of capitalists. It's been said that when it comes to privatisation the only people with money to buy the enterprises will be black-marketeters and corrupt officials. Would you agree with that?**

Yes, this is a major problem which has already become more advanced in its discussion in the Eastern European countries where exactly this same problem arises. Whereas in Poland, for example, there was an explicit decision to restore capitalism, in the Soviet Union some people clearly wish to do so, but Gorbachev and the official line say that they are trying to find some kind of socialist market solution or, as he calls it, a mixed economy. But even there, of course, you do need capital, you do need entrepreneurs. Under the old system, if you did have entrepreneurs, they virtually had to be illegal. So there are both genuine entrepreneurs, who had to break the rules, because the rules forbade them to act, and crooks, who the Soviets themselves call organised crime, the mafia and so on. And, of course, also corrupt officials.

**You called the Gorbachev plan relatively radical. Is it radical enough, or accurate enough, to stave off disaster in the economy?**

No. The problem isn't that the plan isn't sufficiently radical for its ultimate objective. It probably is. But the problem is much more immediate: it is that things are falling apart now. And the measures which are intended to put right the immediate crisis are plainly, and grossly, inadequate. Now the obvious point, straight away, is inflation, the printing of an enormous amount of money, and the creation of a huge budget deficit. The measures which are intended to eliminate as quickly as possible that budget deficit, to stop the printing of money, are in the plan - but that's not what will happen! For example, one reason for the unbalanced budget is the attempt to keep the prices of necessities, rents and so on, very low. Meanwhile, people are paying higher prices to the producers of these goods and services. So the gap covered by subsidy increases. There is no way of reducing that gap, though they've got other plans by which to cut some expenditure and raise other revenues, but in the end, without a drastic change in the price system, which means increasing the prices of necessities several-fold, the health of the financial system is absolutely unattainable.

I'll add one other point: in the plan the idea is to improve financial discipline in enterprises, no more soft credits, no more subsidies. But at today's prices, you can't do it! In other words, drastic changes in the entire system can't, as the plan says, follow the creation of some kind of monetary order, they must either accompany or precede the creation of some kind of monetary order. That's not a criticism of the ultimate objective; it's a criticism of what they're doing now, which is grossly inadequate.

**Can you see things getting to such a state soon where even the limited control that Gorbachev has breaks down?**

It may be. There's only one solution for Gorbachev, which is that he again makes his peace with Yeltsin, that some kind of government of national unity is created. They would probably then have to say that those republics that want to come in should come in, and the others stay out. If they try to carry all 15 republics with them they're going to get nowhere; it's impossible under the present circumstances, unless they send in the troops. The other possibility which is sometimes discussed is a military coup. I don't think it is likely; most of my Soviet colleagues seem to be thinking, not in terms of a coup in which the military take charge, but a civilian state of emergency enforced by the military and no doubt the KGB. The days in which you can do this are numbered because the army and the KGB will also fall apart.

**So, is there a collapse of political power?**

There are a whole number of aspects to this. One is nationalism. Quite simply, the Lithuanians, the Ukrainians, or the Georgians, are simply saying: "we will do our own thing, and the orders issued by Moscow we will only obey if it suits us". That clearly seriously affects the All-Union authority in any national republic, and it's important to realise that the biggest of them all, the Russian republic, is also trying to ignore what the centre is saying. That's one side of it.

The other side of it relates to all the republics in varying degrees. I say in varying degrees because, say, in Estonia, Moscow isn't in control, the local people are. But for the rest — for Russia itself, for example — how was authority exercised before? Through the Communist Party machine of course. In any province, the first secretary is the viceroy, the satrap. Of course, in real life he represents his province in Moscow as well as Moscow in his province. But he is appointed by Moscow through the *nomenklatura* system; if Moscow was annoyed with him it could dismiss him. The local authorities were helpless in comparison.

But now the Communist Party is in retreat, its special position has been largely eliminated, I don't mean it's powerless, but it's lost a great deal of its power. What has replaced it? Nothing. The local Soviets are elected, okay. So a strong local Soviet leader now has some standing and some authority arising from the fact that he's been elected. But he's not a representative of Moscow, he's elected by the local people, so this actually strengthens the break-up process. Now, add to this the acute economic shortages and you have a system of bilateral power which, in turn, destroys central control. So the old central control is breaking down. The market, which is supposed to replace it, cannot exist in the face of all the monetary confusion and economic chaos. This economic chaos, in turn, hastens the political break-up of the system. Everybody's trying to save themselves, or going off at tangents in their own republics.

In the middle of all this, Gorbachev, as president, has the power to issue emergency decrees, and does so. But with

what effect? Where is his method of enforcing these decrees? He hasn't got one, unless he wants to send the army in.

**Do you think it was a mistake for him to take on those powers, in the sense that it identified him even more closely as being responsible for the economic situation?**

One could argue that the major economic changes which are essential can only be carried out by a strong political force, so you need a concentration of genuine power at the centre to push through a set of reforms which are, necessarily, rather painful. There is no painless solution. From this point of view one could say that additional powers at the centre are indeed needed. But they don't exist! You see it's no good passing a law giving yourself executive power to issue decrees if these decrees are not enforced. If Gorbachev issues a decree applicable to the whole of the Soviet Union, half the republics are saying 'we'll only obey the decrees that we like, and we don't like that one'. So Gorbachev is in a position to be blamed, but he is in fact helpless.

**What are the consequences of this for the party?**

On the question of authority, and the role of what is still the biggest organised party, the Communist Party, one Soviet commentator said recently: "Imagine the Communist Party's appeal to the people of Russia. It might go something like this: 'For 73 years we've led you down the wrong road. In the last five years we've ruined the economy. So trust us to lead you through inflation and unemployment to a radiant future'." This point is very important. It can't be sufficiently stressed that the political breakdown is, in a large part, due to the collapse of ideological legitimacy. Voices are now being raised genuinely analysing the underlying causes of Stalin's terror - how come, after the Bolshevik revolution, this happened?

To quote one person with whom I discussed the matter and who has published a great deal on the subject: "Stalinism, despotism, was the responsibility and tragedy of Bolshevism." Then you have economists actually saying that in relation to the US, the Soviet Union is as far behind as Russia was in 1913. The logical conclusion of all this is that millions of lives have been sacrificed for nothing. Yet Gorbachev's legitimacy rests on the claim that he is, so to speak, a successor of Lenin, and in his speeches, he's still talking about realising the ideals of October 1917.

So if you're looking at the reasons why the necessary drastic reforms are not being implemented, there are technical reasons connected with the reforms themselves, but they can only be implemented by a government with a sufficient degree of public acceptance, acting in the name of something. One anecdote I heard recently in Russia went like this: "The Poles have certain advantages over us. 1) They have a government of national unity which the people trust. 2) They have only one nation. 3) The Catholic Church plays a very important role as a moderating influence. 4) The Pope is a Pole! None of these apply to the Soviet Union." I think that's a very legitimate and serious

point. I was in Warsaw a few weeks ago and the sacrifices the people are making are tremendous. I'm not saying the Polish government has got it all right, probably to some extent, they've overdone it, but the point is that there has been no revolt, and because of this fact the government enjoys wide support, despite the unpleasant things that are going on. Now, if unpleasant solutions are necessary in the Soviet Union, which they are, who is going to impose them?

**Despite Gorbachev's own lack of authority, there still seems to be no credible opposition to him, either inside or outside the party. Can you explain that?**

One of the great difficulties is this. There he is, within this very confusing political system, and very confusing constitutional set-up, and public opinion, of course, is evolving. Inevitably, since conditions are so dire, people are thinking new thoughts. There are numerous new parties, some of them on the Left, but they have the greatest difficulty in combining into one coherent alternative party. There are too many chiefs and too few Indians. Each of the leading intellectuals on the radical side — the so-called inter-regional group in the Supreme Soviet who have recently walked out of the Communist Party — is heading his own mini-grouping. Further to the Left there are people like Boris Kagarlitsky who's trying to form a socialist party, another group which is trying to form a social democratic party, even some anarcho-syndicalists. From the point of view of human freedom, no doubt, we can applaud all this, but from the point of view of dealing with a dire emergency, which requires power exercised by an administration, well, the Russians have never been terribly good at that anyway...

**How successful have they been in curbing military expenditure?**

Moderately so. There have been some cuts, but some people are disappointed, and think the cuts should be greater. There's one problem with Soviet military cuts, and that is that there's no agreement about what military expenditure actually is. For years they published a total military budget of less than 20 billion roubles. Now everybody knew that this was absolute rubbish, but nobody knew what the right figure was. Two years ago they admitted that 20 was a lie — though they didn't use the word 'lie' of course. So then they came up with a figure of 80 million. I thought then that if you say 20 and then admit it's really 80, you may be telling the truth. So judge my surprise when a leading Soviet academician thought the real figure might be 160! And when the authors of the various reform programs, including the Shatalin committee, asked the Ministry of Defence and the Ministry of Finance for certain figures, they were complaining that they didn't get them. I rather suspect that this was the reason.

However, they are trying, certainly, to reduce military expenditure. They speak a lot about conversion. When I was in Moscow I was taken round an aircraft factory which is now making automated kitchen hardware, mixers and so on. And this is rather painful. Here are these skilled

people, very good at making Mig jet fighters, now reduced to making, as someone put it, lemon-squeezers. And, of course, if they get paid the same wages for making lemon-squeezers as they did for making Migs, lemon-squeezers become prohibitively expensive! You can see the problems.

**From the West's point of view, is there anything they can do other than support Gorbachev from the sidelines?**

It's very difficult to know what the West either can or should do. Think of the massive Western aid that would be needed to see this process through, if it's to make a serious difference. Who is going to provide it? Germany's busy with the 'ex-GDR'! Japan is far away and doesn't show much sign of doing very much. America has a huge trade deficit and the dollar's going down. The British situation is not at all easy. There'll be some credits, of course, but the Soviets themselves agree that they must get their own house in order. At the moment, for instance, there is a yawning gap which is vitally important for trade and for credits — ownership. I don't mean just the question of private ownership, but also state ownership. Supposing there's an industrial complex in Kharkov, in the Ukraine. At present it forms part of the all-Union ministry. But next year, is it going to be under the Ukrainians? Who, then, is going to take responsibility for its debts? The legal position, the formal, property position, is extremely vague, and this applies equally to the burgeoning private sector, because it will be subject to rules which will be issued - by whom? And what rules?

**Finally, can you see any grounds for optimism at the moment?**

No. I wish I could. There used to be one of these Radio Armenia jokes which went like this: "Q. Can there be a way out of a totally hopeless situation? A. We do not discuss agriculture on this program. "Now it's extended far beyond agriculture. I would say that there are two things which have happened recently which, if the situation were not so dire, would have been extremely helpful to them. Firstly, the Gulf crisis, which has doubled or trebled the price of oil, and the Soviet Union is an oil exporter, so they now earn more money. This is to the dismay, of course, of the Eastern European countries who are not oil producers and who now have to pay in hard currency. They're in dead trouble as a result, but it's to the benefit of the Soviet Union. The second thing is that this year the weather was rather good, and the harvest was unusually good, even though a lot of it was lost because of the general disorganisation. Three years ago, the same combination would have been very helpful to them. Now I just wonder if it isn't too late.

As I never fail to say in public, not for diplomatic reasons, but because I feel it, I wish them well. I like the Russian people, they've suffered enough in this century, God knows. It gives me no joy whatever. I wish I could see the way out, I'm just sorry that can't.

**MIKE TICHER, a member of the ALR collective, is currently sojourning in London.**

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