Gorbachev returned from the G-7 Summit with little result. The West simply wouldn't 'throw good money after bad'. Here John Lloyd argues that the Western Left needs to make up its mind about perestroika, and Moscow News' Alexander Kabakov offers a Soviet liberal's view of Gorbachev's failed London trip.

Around the end of June a group of Russian and American economists finished work, in a suite of rooms at the Kennedy School of Government at Harvard University, on a document which modestly proposed the salvation of the Union of Soviet Socialist Republics. It did so by mapping out a program which would kill off socialism, replace the corrupt Soviets with genuine elections and allow it to cease to be a union. The leader of the Soviet side, a 39-year old economist and former deputy premier of Russia, Grigory Yavlinsky, had been sent there at the express wish of the Soviet president.

As his work progressed through late May and early June, the Soviet government made it clearer than it had before what his status was. Though he held no official post (except as adviser to the president of Kazakhstan), Yavlinsky's plan was, said Yevgeny Primakov, an aide to the Soviet president, of the first importance in setting out ways in which Western aid could be used in the Soviet reform process. If he were to be successful, his ideas would be incorporated in the continuing redrafting of the anti-crisis plan, which has rolled about the various economic institutes and union and republican government structures for the past three months; and inasmuch as Western assistance would be forthcoming, so much the more radical the anti-crisis plan would become.

Earlier in the month Gorbachev took the occasion of his Nobel prize acceptance speech in Oslo to comment obliquely on Yavlinsky's task. Perestroika had recently been revised, he said: 'we have come to the conclusion that there is a need for a kind of synchronisation of our actions towards (the) end (of bringing the Soviet Union fully into the world economy) with those of the Group of Seven and of the European Communities. In other words, we are thinking of a fundamentally new phase in our internation-
al co-operation”. Thus, he continued, it was urgently necessary to agree a level of co-operation to ensure the success of perestroika. "To me," he said, "it is self-evident that if Soviet perestroika succeeds, there will be a real chance of building a new world order. And if perestroika fails, the prospect of entering a new peaceful period in history will vanish, at least in the foreseeable future."

It is self-evident that in both his aides’ and his own remarks, the Soviet president had left a hint of menace hanging in the air. "Nice little world you have here," he was almost saying. "Pity if anything happened to it, just for the want of a few billion bucks."

For Yavlinsky’s plan is nothing if not ambitious. He was the co-author, with Stanislav Shatalin (then a Gorbachev economic adviser), of the '500 day' program of radical reform: it seemed to have presidential approval, but was unceremoniously dumped last year when it was evident that Gorbachev, even had he wished to (which was never clear) could not get agreement on it from his power structure. Yavlinsky then began working with Professor Graham Allison, a former dean of the Kennedy School and a sometime consultant to the US government, on a program of reform which would be calibrated with assistance from Western governments and the international financial institutions—the IMF, the World Bank and the new European Bank of Reconstruction and Development (EBRD). This drew in other well-connected academics—Sam Fischer, former chief economist of the World Bank who had overseen the production of the IMF/World Bank/OECD/EBRD report on the Soviet economy, published at the end of last year; Jeffrey Sachs, who was the dominant foreign influence on the economic thinking of the Polish Solidarity government; Robert Blackwill, the former aide to President George Bush on Soviet affairs.

All of these men, in different ways, had been drawn professionally (and often emotionally) into the transformation process in Eastern Europe. Sachs, especially, had become a
The Triangle’s
Point

How do Soviet liberals view Gorbachev’s London rebuff?

Alexander Kabakov is the deputy editor of Moscow News and a well-known Soviet novelist. He was interviewed for ALR by Mike Ticher in mid-July.

What are the implications of Gorbachev returning from the G-7 meeting without any firm promises of aid?

I think that the leaders of the Western countries were absolutely right when they refused to give direct aid to Gorbachev. Had they done so, the money would just go to the army, the KGB, and so on. Until we can reform our economic system properly, it would be best not to give aid to the government, but to invest in individual institutions, to give us new technologies and to construct modern plants organised along Western lines. We must learn how to do normal business, to change to a normal, market system, and it’s only after that that Western help will do some good for the ordinary people, and not just for the communist bosses.

How is this reform going to take place? Is Gorbachev capable of implementing it?

I think that after the progress made through his agreements with Yeltsin we can expect more from Gorbachev than we did two or three months ago. But he needs lots of time to be able to finish the reforms, to get rid of the old Bolsheviks from his circle and wait for a new generation.

But does he have that time, given the severity of the economic crisis?

We have to choose. We can try to make everything right now, immediately, in which case we will only provoke a civil war. Or we can try to have patience. Historically, impatience has always been the real catastrophe for our people—the October revolution was the first example. We must not make the same mistakes now.

Do you think that he will now accept the Yavlinsky plan for economic reform?

I think he will now, yes. After the refusal of G-7 to give him aid, he must accept it. I don’t believe that the Yavlinsky program is ideal, but it is the best program we have at this time.

Are the people ready for the painful consequences of such reforms?

There are always two sides to every event, and the economic reforms are no exception. The outcome may be good, but there will inevitably be a bad side as well. I still don’t think that most people really understand what is involved, what reform will mean, but more and more people are beginning to understand. The point is, though, that we simply have no choice, we must reform or die. We’re already without food, without order, without everything.

What effect will the forming of the new party by Eduard Shevardnadze and Alexander Yakovlev have?

We always need a balance. Until now we have had a balance between Gorbachev and Yeltsin, between reformers and conservatives. Now we have the third point, this new party, and a triangle is always more stable than a simple balance. But I don’t really think it is a good idea for them to become a party, because our society is already too political. It’s only good from the point of view of the stabilisation of the political situation.

Gorbachev seems to be under pressure from all sides: from liberals, conservatives, the people, the republics, from the West. Does he have enough power left to survive?

Gorbachev is the sort of person who can only work well under pressure—from any side. Pressure is the normal situation for him. It’s only in such positions that he has achieved all that he has achieved.

What effect will the G-7 decision have on his relations with the republics?

Republics like the Baltic states, Georgia and Moldova, are already more or less separated. I think that after returning from G-7, Gorbachev must formally divorce them from the Soviet Union, but immediately after that, come to agreements with them. I think the refusal of G-7 will force him into this position.

How do people feel about the fact that all the proposed solutions to the economic problems come from the West? Do people resent that?

I think that now our people will agree with anything that will help them to survive. The economic situation is so bad that there is a real danger that it will lead to civil war. There is practically no food in any shops. In such a situation I think the people will agree to any form of help.

Are the liberals united about what they should do?

It’s hard to say exactly, but I think this agreement between Yeltsin and Gorbachev, and this new party, can become a force which will be able to exercise real power. Most Russian intellectuals will continue to criticise Gorbachev and he needs this criticism. We were wrong when we stopped criticising Gorbachev some time ago. We must criticise him in order to save him.
missionary for the process of rapid marketisation, and had become a fierce opponent of the 'third way' in which elements of the market were introduced into a quasi-socialist economy. There were differences—sometimes large—between the economists, but a basic agreement that the Soviets should be offered, in Allison and Blackwill's phrase, a 'grand bargain' which would draw the major Western economies into a relationship with reform in which certain economic and democratic goals would be agreed and for which substantial assistance would be offered.

These goals are vast. As the plan went through its final drafts, it became clear that the Yavlinskiy-Allison team was proposing a complete revolution in two formidably difficult stages. In the first, broadly put, prices would be largely decontrolled, the rouble moved further along the road to convertibility and privatisation of enterprises begun. Concomitantly, elections for the all-union Supreme Soviet should be held. In the second, these processes should be completed or stepped up—prices wholly freed, the rouble made convertible and privatisations accelerated. Aid from abroad, on a range between $20-$35 billion a year, would be directed, in the first phase, to providing consumer goods for a market which would be reasonably expected otherwise to be starved by the collapse of many of its own producers; in the second, support for the rouble as it moved to convertibility, followed by the provision of income support for the unemployed, and generally, investment of various kinds in infrastructure. The Soviet Union would become first an associate, and then at the end of phase one—the beginning of phase two, a full member of the World Bank and the IMF; these institutions, with the EBRD and Western governments operating through the expanded group of 24 which had co-ordinated aid for Eastern Europe, would oversee and monitor the process.

Beneath the economists' prose lies the proposition of an extraordinary and unique political adventure. It is one for which both the nerves and the imagination of the Western leaders, must be strong. It is thus to be expected that large objections have been raised about the plan, for it proposes the spending of very large amounts of Western citizens' money on a country which has, until now, squandered their earlier assistance on the preservation of a corrupt and authoritarian system.

The root objection has been that the West cannot and must not give aid to a government which has no claim to the people's trust or support, and certainly has not got it. Gorbachev is the unelected head of state, presiding over an unelected government, pushing through a program which substantial assistance would be offered.

Since this appears in a magazine aimed largely, though not wholly, at the Left, it is worth adding this in parenthesis. The Left has never, as far as I know, worked out what to do about perestroika. In its early days it was hailed with some enthusiasm. More recently, it has been quietly dropped, and a certain measured enthusiasm for the radicals and the nationalists has taken its place—though with important exceptions. A few leftists have identified the miners and other working-class sections as capable of carrying the seeds of a new socialism. Others again have called for a third way. But the Left has not taken a position on what is actually on offer: a continuation of a stagnant, lurching, semi-reform fraught with the danger of reaction, or a vast transformation of the kind sketched by Yavlinsky, in which marketisation and liberal democratic practice is the overt goal. Time it did.

The Left has not taken a position on what is actually on offer

On the international level, a 'left' position is that taken by the Christian Democratic governments of Germany and Italy (to a lesser and less clear degree the socialist government of France), the two G-7 members most enthusiastic for assistance to Soviet reform. They believe that Gorbachev still has political tasks to perform; that he can manage both economic change and democratisation, and that his policies and government must thus be supported in so far as he proves them right. Both countries, of course, fear collapse and uncontrolled emigration; both have an increasingly large stake in the Soviet economy; both have interventionist reflexes. The Japanese, who might naturally make common cause with them, are presently hanging tough over the issue of the four Kurile Islands, taken from Japan after the war by the Soviet Union, and the bar to good relations ever since. It is commonly supposed that once that matter was settled, the Japanese would be willing to open their vast coffers to the USSR and, more importantly, support their business people in the Soviet market.

To call it 'left', however, is to do even more damage to that presently abused word than is done here in the Soviet Union, where pro-capitalists are commonly called Left and pro-communists commonly called Right. In fact, the argument within the West is largely a confused one: those who worked with Yavlinsky were not just anti-communist but of a liberal-radical turn of mind. They are opposed by old Leftists in the Soviet Union and elsewhere who see them (rightly) as intent on recreating capitalism, and by the Western conservative Right, which thinks, or claims to think, they are suckers for Gorbachev, or that they are social engineers who should keep their hands off the Soviet Union while it collapses by itself.

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Communism is indeed collapsing in the Soviet Union. Though its power bases are everywhere, and often function quite well, it has no will or capacity for either reform or reaction. Everywhere one goes now, the power centres—especially the now-disbanded but once vast Komsomol—are trying to ‘go private’: managers are forming phoney co-operatives to produce over-priced services for the enterprises they themselves run; party functionaries are making joint ventures; state companies are setting up commodity exchanges; academic institutes are advising foreign and Soviet companies; professors are teaching business courses; and, of course, the shadow economy surges ahead, taking over whole sectors of economic life. It is monstrously inegalitarian and causes mass anxiety among those least able to survive—but the sheer scope of the disintegration and the vigour of the private pursuits mean that, every day, it becomes more resistant to any kind of reactionary force.

Beneath the economists’ prose lies an extraordinary and unique political adventure

On top of all this, the government does not so much govern as seek to ride certain forces. Since the hopelessly inefficient attempt by the hardliners to unseat Boris Yeltsin from his then position as Russian parliamentary leader in April, Gorbachev has swung away from an alliance with them (which was never close on either side) and come over to a tactical alliance with Yeltsin (now the Russian president) and to an endorsement of republican autonomy and renewed efforts for market reform. A careful unpicking of history will be required to determine how far Gorbachev made common cause with hardliners, why he swung back, and what convinced him he must seek Western aid. For now, though, Gorbachev seems to be genuine.

If that is the case, he has committed himself, roughly, to the following: to lower the standard of living of the Soviet people for several years; to greatly accelerating the rate of unemployment, already climbing strongly; to ending any semblance of roughly equal incomes, and turning their determination over to the market; to actually, rather than verbally and formally, ending the monopoly of the Communist Party over effective political life (something Yeltsin’s election will greatly speed in any case); to granting substantial economic and political power to the 15 republics—including the right of exit from the Soviet Union—and thus confining his office to foreign affairs and macro-economics. There is no way of telling how far he can do it—in reality, how far he and Yeltsin can do it, or can agree to do it. Thus, the London G-7 summit has been faced with a serious decision. How far to get involved, and on what terms? The Yavlinsky plan—if it is adopted by the Soviet government as an official program—is repeatedly and determinedly conditional: assistance will be forthcoming only for deep economic change, only for genuine development of democratic forms. To assent to it in principle— even before money is considered—means becoming a partner in one of the roughest political rides of our time; allowing the West to become the target of demagogues, as well as quite sincere people, who will see the wealthy foreigners as screwing the poor Soviets to the ground for the sake of profit. Most Western politicians have enough troubles—why do they need this?

Because, in the end, Gorbachev is right. It would be a pity if anything happened to a world which has immeasurably benefited from his reforms so far and which can benefit further. In entering the world market and the world division of labour, the Soviet Union will become part of a system of corporate capitalism and financial networks of power which dwarf those of governments and which has, in the end, flattened the Soviet Union’s efforts at socialist autarchy. It is this we are being asked to support, and it is better than anything else around.

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