

MARKETS AND POLITICS IN THE USSR

Without much of a road map, the Soviet leadership is groping towards building a new economy that combines "socialist markets" with Western prosperity.

BY MICHAEL BRYANS

IF YOU HAVE MONEY IN THE SOVIET UNION there is almost nothing you can buy with it; a difficulty which while hardly trivial – if some other calamity doesn't overtake it first, consumer discontent might eventually bring down Mr. Gorbachev's government – has distracted both outside observers, and previous internal efforts at reform, from the real task at hand. The point about these shortages is that they are but shadows cast by the workings of a political-economic order that is fast coming undone.

Soviet leaders now know that the old remedies of patriotic and ideological exhortation will not work. From Khrushchev onwards (including Gorbachev's early reforms in 1985 and 1986) the watchwords were: "discipline," "efficiency," and "diligence." If the Soviet people worked harder and smarter and stopped boozing and goofing-off there would be nylons and butter on the shelves. So the planners planned more carefully and managers urged workers to greater effort, and it was just like honking the car horn from the back of an enormous traffic jam – it did not make the traffic move and it only annoyed the drivers.

To see how crippling the sixty-year old command system is for the Soviet economy, we only have to listen to today's generation of Soviet economists. Among the most vocal and articulate is Nikolai Shmelev. A true product of *glasnost*, Shmelev spent years writing novels and short stories since no one who mattered was interested in his economics. These days he is both a People's Deputy, and an analyst with the Institute for the Study of Canada and the USA. Shmelev places himself "at the extreme left" of the Gorbachevian reformers – a sort of loyal opposition to the Gorbachev-Abalkin-Aganbegyan group which is attempting to re-start the economic engines.

Unlike many of his contemporaries who at least nod politely in the direction of the planning departments before disparaging them, Shmelev gives no quarter. Writing with colleague Vladimir Popov in an acerbic and all-encompassing attack on the Soviet economic structure¹ they show how the economic disasters that are the grist of Soviet evening television are the inevitable result of a system

working as well as it's ever going to work. "No one is to blame," they write,

... the regularity with which shortages of everything occur – from children's soap to cartridges for soda water siphons to railway cars – suggests that there is one general law underlying all these specific cases ... this law is related to the system of planning ... In its present form ... it ensures constant shortages. It makes them chronic, unavoidable, and ineradicable ... an inherent feature of the economic system.

WHAT THE SOVIET LEADERSHIP DOES NOT AND cannot know, is how to plan its way out of its current deep troubles. It is confronted by a problem no society has ever tried to solve on this scale: creating whole and in short order an industrialized "market" economy from the usable leftover bits of a "command-administered" one in which all but its most fervent believers have lost heart. The fact that Western economists do not really know how their own economies work has never been a grave impediment since the experts came along well after the economies were up and running. Economists have been mostly limited to explaining economies and fiddling with the results.

The theorists still grapple unsuccessfully with questions like how individuals choose between taking a week with Club Med, paying down the mortgage and getting braces for the kids' teeth; why Taiwan is wealthier than Ghana; and how the business cycle works or whether there even is one. Two centuries later, Adam Smith's resort to metaphor for the workings of the marketplace, the "invisible hand," remains as plausible an explanation as any. Mikhail Gorbachev's problem is that he cannot be content with describing markets. He and his associates have to actually build them, and they are running out of time.

Just back from a January meeting aimed at establishing a new school of business administration at Leningrad University, Richard Ericson of Columbia University's Harriman Institute characterized the feeling he encountered on the street and in meetings as "cataclysmic" – a sense, not entirely justified in his

view, that "they are poised on the brink." From Ericson's perspective – widely shared by Soviet and foreign observers – the immediate crisis has two interlocking parts: the shortage of consumer items and the enormous stock of paper rubles in the hands of Soviet citizens who have nothing to spend them on.

This notorious "ruble overhang" amounts to somewhere between 200 billion and 350 billion rubles, no one is sure, and promises price inflation on a stupendous scale once the government releases prices to find their own level – a step now contemplated for 1993. One widely advanced financial solution lies in soaking up all the paper rubles with consumer goods; a move that would improve living standards for average Soviets and perhaps buy for Gorbachev a period of political peace to give the deeper reforms a chance to take hold. But since the domestic production system cannot make these goods, they must be obtained from abroad with what few hard currency reserves are in the Soviet treasury.

A GREAT DEAL OF SOVIET PUBLIC COMMENTARY is taken up with this dilemma and it is a central point of debate between the government, whose staged five-year programme for reform aims to "stabilize" the monetary problem before moving on to fundamental changes in 1993, and "left-wing" critics like Shmelev who want the government to move now. What everyone agrees on is that very soon Soviet citizens are going to have to be able to create their own goods and services – by most accounts an activity that is proceeding not at all well.

As it stands, the government under Gorbachev, Prime Minister Nikolai Ryzhkov and a group of economic advisers, has proposed a comprehensive programme that would by 1995 move the Soviet economy sharply in the direction of Western-style economies. The debate is over whether this is sharp enough.

The centrepiece of the programme is a set of draft foundation laws on taxation, land ownership, property rights, and local self-government, that are now before the new parliament and are meant to be in place by the spring of this year. The proposed reforms would see the state considerably reduce its