

[ 15 ]

---

# Jean Monnet Chair Papers

---

## **Economic Reform in Russia**

Vladimir M. Kollontai



---

The European Policy Unit at the  
European University Institute

---

European University Library



3 0001 0014 7897 5

Jean Monnet Chair Papers [ 15 ]

Kollontai, *Economic Reform in Russia*

## **The Jean Monnet Chair**

The Jean Monnet Chair was created in 1988 by decision of the Academic Council of the European University Institute, with the financial support of the European Community. The aim of this initiative was to promote studies and discussion on the problems, internal and external, of European Union following the Single European Act, by associating renowned academics and personalities from the political and economic world to the teaching and research activities of the Institute in Florence.

---

# Jean Monnet Chair Papers

---

## **Economic Reform in Russia**

Vladimir M. Kollontai

1992

The European Policy Unit at the  
European University Institute

All rights reserved.  
No part of this paper may be reproduced in any form  
without permission of the author.

© Vladimir M. Kollontai  
Printed in Italy in November 1992  
European University Institute  
Badia Fiesolana  
I-50016 San Domenico (FI)  
Italy

## **Economic Reform in Russia\***

Vladimir M. Kollontai\*\*

Economic reform in Russia, as in all the countries of the former Soviet Union, is a rapidly changing topic. The proclaimed aims of reform are constantly revised. The political and social setting of government activities is evolving at a very fast pace. The practical economic situation, the main economic parameters are in permanent flux. In this lecture I will not try to keep up with the latest events but will focus attention on the longer-term fundamental issues.

A word of caution to begin with. In describing the situation in Russia and the other reforming countries we are using terminology, which in the West has concrete substance and more or less precise connotations. In relation to all the former socialist countries these same notions are often used, without specifying that they are applied to quite different phenomena. The reforming countries are post-totalitarian societies without all the historical heritage of Western democracies. The heritage of a totalitarian society is very different and it makes itself felt in endless ways. In a totalitarian society most people are placed in a situation when their depressed basic needs are satisfied through this or that type of state distribution. At the same time they are practically uninvolved in any decision-making processes, be they at local or national levels. As a result in a post-totalitarian society the notion of democracy involuntarily carries a much larger element of demands towards the state and

\* I am very grateful to the European University Institute which gave me a possibility during several months to conduct studies and meet with a distinguished group of scholars. Without such an opportunity this lecture could not have appeared. My special thanks go to Stuart Holland, Emile Noël and Susan Strange, whose help in all respects was enormous.

\*\* Vladimir M. Kollontai, Institute of World Economics and International Affairs, Russian Academy of Sciences; Jean Monnet Professor, European Policy Unit, European University Institute, Florence, April 1992.

much lesser elements of responsibility for the future of society. Demands for higher wages and more consumer goods are rampant; everyone wants to express himself and there is an abundance of political parties that have tremendous difficulties subordinating personal interests and ambitions to the needs of societal development. In the course of this lecture we will have to dwell rather often on the different content that similar terminology reflects in the context of Western countries and of reforming societies.

And one last introductory comment. I think it is important to mention some of the specific features of Russia. Everybody knows that it is a very large country and I will not take up time giving examples. What is important is to stress that due to this vastness it is a country prone to conservatism. Impulses for change (be they internal or external) most often get drowned in this great mass of territory and large but dispersed population. Historically most reform initiatives were first subdued by internal conservatism and later rejected by passive resistance and/or reactionary backlashes. Only a very small part of the intended changes survived. This was the fate of reforms initiated by Ivan the Terrible, Peter the Great, Alexander II, etc. The October Revolution made a somewhat bigger impact — for better or for worse — because of the barbarous methods employed. This historical heritage is deeply ingrained in the people, in the culture and value systems and preconditions a very skeptical and often wary attitude towards change (especially if initiated from above). Progressive change was usually advocated and hoped for by a relatively small part of society, the western oriented part of the intelligentsia.

Another feature of Russian development that needs special mention is the historically limited role of law in restricting the use of political power. In most cases this uncomfortable blend of conservatism and the lack of restriction on the powers-that-be tends to lead to sullen passiveness, to tolerance of existing ills, to wariness of change lest it brings even greater evils. In such an environment most movements for change took on very active, even desperate, uncompromising, extremist forms. Anything less was from the outset considered doomed to failure and oblivion. It is not by chance that the most prominent proponents of terrorism, anarchism, nihilism, bolshevism were Russians. Such trends historically have been especially prevalent among the educated intelligentsia. At the grassroots level something similar can be observed. As an antidote to unlimited central power the populace has evolved a complex unwritten code of moral justice and ethics which sets certain notions of tolerable and intolerable injustices. Beyond a certain limit intolerable injustices lead to social explosions.



Extremist tendencies have become a part of the Russian character; compromises and gradualism are to a large extent alien to it. This introduces a serious element of instability into society. Perestrojka, among other things was an attempt to change this situation. But deeply ingrained features often continue to make themselves felt for a long time.

\* \* \*

The world community suddenly has to face up to a new major challenge. As if the threats of nuclear destruction, the problems of developing countries, global environmental degradation were not enough, the events in Eastern Europe and the former USSR are raising new issues. The essence of what is happening is a dangerous acceleration of the disintegration of the life support system in one sixth of the world.

As with all such major events, this one also has a long and painful history in the unsuccessful attempt by Russia to find a short-cut in overcoming underdevelopment. The historic events are well known. The establishment of a totalitarian regime, which took several generations to decay. Through central planning the regime imposed anti-market structures and institutions on the economy, substituted market forces by voluntaristic decisions. Resources were expropriated from many if not most economic fields with the expressed aim of concentrating them to solve a specific problem, deemed of primary importance. Forced industrialization was a prominent example of this. Such a system inevitably led to expanding decay in increasing parts of the economic periphery. Collectivization totally undermined the agricultural base of society and saddled the country with a permanent food problem. The development of an enormous military-industrial complex devoured fantastic natural, human, financial, etc. resources and constantly depressed the living standards and the purchasing power of the population. A major negative role was played by the oil boom of the 1970s which made it possible to cover up the growing agricultural crisis by increasing imports. Behind a facade of artificial indicators, juggled statistics and polished images the country was sliding into decay and unruliness.

Perestrojka was perceived by many as an attempt to overcome this growing crisis of the whole production system, primarily through changes in the regulatory mechanism (at first relatively minor ones). A societal regulatory mechanism is the overall result of a constant interaction between economic, political, social, cultural, ideological, moral and ethical processes in society. Each of these areas constitutes an important part of the overall framework in which people live, take decisions and act. Each has its own internal logic and imposes a set of

motivations and restrictions on the activities of individuals and social groups. The complex interaction of these components creates a regulatory mechanism of societal development, in which this or that part (depending on concrete circumstances) can play a more or a less prominent role. It goes without saying that acknowledging the existence of a regulatory mechanism in society is not the same as considering events to be under permanent conscious control.

In Western society each component of the regulatory mechanism is highly-developed, diversified, sophisticated, complex. Each one evolves according to its internal logic, but they constantly interact, influence and reinforce one another. And with few exceptions — when, for instance, there is a political, economic or other crisis — they move more or less in one general direction. This is an important prerequisite of relatively durable societies. Pluralism and a relatively high degree of freedom stimulate initiative and spontaneous development, thus creating a viable combination of stability and flexibility.

In the former Soviet Union all the above mentioned component parts were more simplistic, crude and unsophisticated. They constituted a very compact, closely-knit and constantly interacting mechanism subordinated to only one overall task — the preservation and stabilization of the existing command-administrative system, which was highly rigid and inflexible.

There have been many attempts to differentiate and classify the different types of regulatory models. Among the most fruitful, in my view, are those, proposed by K. Polnyi and by the proponents of market-hierarchy-network models of social life coordination. It seems we can justifiably speak of the existence of three types of regulatory mechanisms: 1) command-administrative rule, 2) self-regulation and 3) corrective regulation.

Hierarchical, command-administrative rule was historically the prevalent form of social regulation. It presupposed the subordination of society to a narrowly defined overriding aim — be it the creation of an empire, the building of pyramids, the conquering of neighbours or the establishment of an ideal society. All the major activities in the dynamic part of society were oriented towards achieving this main objective. Such a society could exist only against a background of large-scale subsistence and semi-subsistence economies which helped society to survive if or when the pursuit of the major objective lead to serious problems. Command-administrative societies were relatively stable, sometimes prosperous for the ruling elite, but inflexible, incapable of innovation and rapid internal development and poorly adaptable to change.

Self-regulating societal relations on a broad scale are historically a more recent phenomenon. To a large degree they are a product of a relatively highly developed division of labour in the economy and the polity and consequently of growing interdependencies in society. They presuppose the participation of much broader parts of the population in active social relations, a more responsible attitude of people to societal problems and needs. Markets, democracy, social mobility, enlightened debate and in the final analysis various freedoms and human rights become major elements in the regulatory mechanism of society. Most of these elements are considered to be self-regulatory and to lead, more or less automatically, to a better, more progressive society. Leaving aside the vagueness of the notion of progress, it became evident, as time went by, that each one of these elements functioned with substantial failures and could not automatically lead to any desired status of society (market failures, democratic weaknesses, etc.).

Even more recently the increasing recognition of failures in self-regulatory mechanisms is leading to numerous attempts to find alternative solutions or remedies. The construction of a purely socialist society based on central planning was in this respect one of the most ambitious and unsuccessful ones. At present most Western countries are trying to find possible solutions along the lines of corrective regulation, which presupposes the continued (and even sometimes expanded) functioning of previous self-regulatory mechanisms, but at the same time the creation of an elaborate system of monitoring, analysing and defining emerging problem areas, so as to take necessary corrective action. Such a society demands an elaborate infrastructure, information network, analytical apparatus and sophisticated implementation machinery. All of this would take a very long time to create in the prevailing conditions of Russia. Moreover Western societies themselves have not as yet found satisfactory solutions to the vitally important issue of safeguarding democracy and public decision-making in conditions which tend to favour technocratic approaches, the use of expertise and professional knowledge. In the beginning of the 1990s this type of analysis only added to the confusion in parts of the then Soviet society as to the directions that perestrojka and the transition of Soviet society could and should take.

Perestrojka was an attempt to change the whole regulatory complex of society, to move out of one regulatory system into another. The desire to do away with command-administrative totalitarianism was evident. The final aim of the transition was much less clear, not only to the general public but also to the initiators of this great transformation. Today the real intentions of the latter are even harder to define than

they were in the 1980s. Their present and future writings are of no help — they inevitably reflect the authors thinking at the moment of writing, not at the moment described. Their statements at the time of action are also of little use — if the present outcome of perestrojka was even to a small degree premeditated, it would have been extremely dangerous for its initiators to even hint at such intentions (since they would have immediately been ousted by the broader establishment in power). Accordingly the idea of transition from the existing system was openly proclaimed only in very general terms, but the final aim of the transition was always defined in the most abstract and vague terms — civilized society, markets, democracy, etc. Only later were these objectives made more concrete in the course of sharp ideological debates and political battles.

Moreover, it is very hard to find out which events were really beyond the control of politicians and which were a result of their farsighted actions and manoeuvres. Towards the end of the 1980s, however, events increasingly overtook the reformers and they were forced not so much to initiate new changes, as to react to unintended and unforeseen situations. Grassroots pressure for more drastic transformations was mounting. But so too was the old guard's resistance to change. New initiatives by reformers were increasingly blocked by restraining activities in a polarizing situation. The major aim became a postponement of a conservative backlash which was quite evidently building up.

Any attempt to define the real aims pursued by the major groups of politicians is made even more difficult by the fact that future developments now lend themselves to various interpretations. Some people today continue to think that the main aim of perestrojka was the building of a new, better, more modern, civilized society; accordingly they justify many controversial actions by the need for skilful manoeuvring to keep up the momentum for change. Others consider that the transformations were aimed more narrowly at streamlining the old system, getting rid of incompetence etc. Others still consider that the driving force behind perestrojka was pressure from previously corrupted groups who accumulated large resources and needed legitimacy and more scope for new activities. Lately — allegations of treachery and treason, of a sell-out to foreign capital and interests are increasingly heard. Such allegations are inflaming various nationalistic feelings and movements. Leaving aside the practical impossibility of ascertaining the real motives of the initiators of perestrojka, I do not think that it would be fruitful to try to define the role of this or that motive in the elaboration of perestrojka. The worst that can happen at present is that the country will submerge into a long debate, unravel some previous

misdeeds and at the same time hopelessly lose any prospect for real development and betterment.

What is important is that profound changes were initiated in practically all spheres of social life — political, economical, cultural, moral, ethical. These changes are so well known that it is not necessary to enumerate them here, except to point out specifically those changes in the field of culture and ethics which have received least attention in the West.

In the economic field, market formation was viewed as the best possible alternative to the existing system. But there was far too little real understanding and knowledge about the working of the market, let alone the transition to a market economy. The advice that came from abroad concentrated on the need for speed (shock therapy), and on the automaticity of the market once it was given freedom to operate. All the negative — economic and non-economic — aspects of the market were hushed up; as was the elaborate system of state and social regulation of the market which exists in the West. In the euphoria of dismantling central planning a discussion of these vital issues seemed inappropriate. The numerous pitfalls in the transition from a very unusual starting point were either not known or not thought about seriously. Added to that was the passive and often active sabotage of the old guard nomenclatura. Internal inexperience and incompetence blended with traditionalist advice from abroad are leading to a highly distorted process of market formation. A market capable of stimulating the expansion of production (or just of sustaining existing levels of production) is still far beyond the horizon. In the first quarter of 1992, investments into production fell by more than 40%, compared with the first quarter of 1991. The old system of economic governance is largely demolished and losing its hold, but no new system has taken over. And no one can say how long it will take for one to emerge and start functioning.

An added factor in the situation is the disintegration of the Soviet Union. Among various other reasons this was also stimulated by the prospect of market formation. On the one hand inefficient economic units (and they — if international standards are applied — are in an evident majority) are trying to protect themselves against market forces by any and all means — including cessation. On the other hand local powers are hoping through increased political power to acquire a bigger role in the inevitable privatization process, which will lead to the establishment of ownership rights over historically unprecedentedly large land and natural resources as well as enormous industrial facilities. Be

that as it may disintegration of the USSR is further hampering and distorting the transition to the market.

In the lively discussions on the future of Russia primary attention is focused on the speed of transformation and market creation. But the really decisive, central issue — that of the type of markets that are going to emerge in the reforming countries — is rarely even mentioned. Most discussants try to evade or circumvent the issue. All the talk is about “markets” as such, generally speaking. If any definitions are used it is the word “free”, presumably in contrast to regulated or state influenced. At the same time everybody knows that there are numerous types of different markets, productive and speculative, efficient and less so, etc. Are these distinctions irrelevant for the reforming countries? Is it equally desirable if their efforts go predominantly into speculation or into production? What should be the balance and interaction between internal markets and external? All these are vital issues for any market formation process. Therefore let us for a moment look into the existing historical experience in this field to see what it can tell us.

\* \* \*

Given the great variety of market formation processes in history, it is none the less possible to discern the major prerequisites of success. The first is the most widely cited — that of the establishment of private property rights; maybe it would be more correct to talk about a strict delineation of economic functions, ownership rights and responsibilities. The second is the establishment of an efficient system of governance in which not only law enforcement, but also a large degree of public legitimacy, trust and stability play a prominent role. Thirdly an accumulation of purchasing power, capital, technology, management skills, innovative and research capacities, productive and social infrastructures is essential. Fourthly, everywhere in developed market economies the state plays an active role in economic management; hence economic competence and integrity become vital elements of success, as do various mechanisms of interaction between government and interest groups. Last but not least, a comparatively stable and viable interrelationship with the world economy has to be established.

Not all of these prerequisites are equally emphasized and explained by Western social scientists. Many of the elements of market formation are so commonplace and evident to Western scientists and observers (and implicit in their thinking) that they are rarely spelled out. But for the latecomers and especially for the former centrally planned societies it is very important to have a clear understanding of the whole sum of

indispensable factors. And most important of all, it is necessary to understand how these prerequisites emerged and took hold without seriously disrupting the life support system of society.

Historically market formation (and its subsequent evolution) always meant a profound transformation of the life support system of society. Experience of most countries shows that this has also been a gradual process (taking several generations if not centuries) during which old institutions, structures, ideologies and value systems were slowly squeezed out and new ones gradually installed. Violent changes and upheavals sometimes took place; but they were very rarely conducive to market formation or to socio-economic development. Those upheavals that took place were (in a historic perspective) relatively limited in size and affected only a minor part of society. The main elements of the life support system as a rule remained intact.

In all non-centrally planned societies, market formation commenced when the major part of the population was still occupied in subsistence and semi-subsistence economies. For a long time markets enveloped only a very small sector of society. Market failures, conflicts and even catastrophes could easily be compensated by the continued functioning of the semi-subsistence sector. As market relations expand, they slowly take over bigger parts of the life support system of society. But even in the more advanced stages of transition to a market economy the semi-subsistence sector continues to cushion market inadequacies and contradictions and safeguards the life support system from most contingencies. As the semi-subsistence sector erodes, the safeguarding of the life support system against the possible consequences of market failures becomes a major function of the state.

One of the most difficult aspects of market formation has always been the transition from a predominantly speculative (trade and finance dominated) market to a predominantly productive one (in which most investments are directly or indirectly motivated and conditioned by the needs of production). For each given country, at a certain stage of its development this distinction is very important since it largely defines the prospects for the future. The distinction we are trying to draw is far from clear-cut. Many countries still continue to oscillate from one state to another. Hyperinflation usually leads to an evident preponderance of speculative activities over productive investments. Deregulation in the 1980s has at times given speculative markets a visible edge over productive ones. But historically the most usual experience was that long periods of expanding speculative markets tended to create some of the prerequisites necessary for the transition to a productive market. After that at some moment a convergence of favourable factors created the

necessary conditions for the transition. Often these were wars, which disrupted previous supply patterns and made investments into production unexpectedly profitable — as in some countries in Asia and Latin America. In some cases the decisive factors were competent protectionist policies and well conceived forms of state intervention. More recently cases can be cited, when this transition has acquired more premeditated features. The prospect of integration into the EEC, for instance, has stimulated a multi-stage, internationally negotiated approach to transition in some of the southern countries of Europe.

Market formation in a given country can never be a purely internal process. It inevitably interacts in many ways with the international economy. In most cases market formation has to a larger or smaller degree been instigated from outside be it by colonialism and force, be it by peaceful economic expansion and demonstration effect. Moreover there is always the possibility of achieving some short-cuts in development by profiting from the experience of other countries, transferring structures and technologies, discovering new niches in the world economy.

But the impact of the world markets is not only a stimulating one; they also impose certain criteria of efficiency and competitiveness that often create severe problems for economically backward areas and constitute a real danger for their life support system. A backward economy is by definition ineffective. But market structured development has a strong bias in favour of technical progress and rapid structural changes. This is a very capital intensive type of development. Efficiency and competitiveness are achieved mostly through large-scale externalization of costs. More modern productive systems demand more elaborate and diverse infrastructures. This (especially in economically backward areas) inevitably leads to a concentration of efficient activities in enclaves or poles of development. But this same process is simultaneously a process of marginalization of a large part of the population, since there is not enough capital, competence, skills and infrastructure to employ existing manpower in sufficiently competitive production. The highly competitive sector (on a market basis) cannot satisfy the needs of the marginalized population since the latter has lost its productive base and hence its main source of purchasing power. Growth in market efficiency most often goes hand in hand with a marginalization of increasing sectors of the population.

Market-structured development means that the gap between the parameters of what we call the world economy and the main parameters prevailing in a backward economy will constantly grow. This creates an increasing need for the latecomers to control (ever more stringently) the



process of integration into the world economy. Since modernization and competition tend to destroy the “inefficient” life support system of the marginalized part of society, this latter can survive and conserve its basis of life only if it starts defending, protecting itself against the invasion of market forces. Such protectionist measures are primarily economic, but also social, cultural, religious, ethical, etc.

Historically protectionism at first took on very primitive and crude forms. During the nineteenth and the beginning of the twentieth century the most usual method was that of direct restrictions on imports, of protectionist tariffs and other means of infant industry protection. As national and international economies became more complex the means of controlling the interaction between the national and the international economy also became more complex and sophisticated. Protection was achieved increasingly through various new forms of state intervention — subsidies, tax exemptions, industrial and structural policies, social policies, etc. Special strategies were elaborated to foster changes in economic structures and technological development as a way of modifying existing patterns of international division of labour and creating a more favourable international competitive positions for the given country. As more sophisticated methods were introduced most countries seemed to slide from traditional forms of protectionism to more indirect but maybe more efficient methods of state intervention and neo-protectionism. Various strategies were elaborated (import-substitution, export-promotion, etc.), which at first were thought of as incompatible alternatives but which with time were seen to interact in a more complex and even complementary manner. Moreover the external aspects of development strategies were in an increasing number of cases seen to intermingle with broader issues of supply-side and/or demand-side economics.

In theory as well as in practice (especially if we take the Bretton Woods institutions) there is a trend to outlaw any and all protectionist activities on the ground that they conflict with economic efficiency. Such an approach tends to impose free trade and open market policies on all nations, irrespective of their concrete current situation and development needs and priorities. Today’s international economy is a very complex mechanism in which free trade and economic liberalism are just one trend; it has to coexist with various forms and methods of national protection (which pursue not only economic but also social, environmental and other needs). These latter constitute an integral part of international economic relations and attempts to liquidate them are often unrealistic and counterproductive. It is much more fruitful to discuss the possible optimal relationships between the two trends and their possible

interaction, than to try and totally eliminate an aspect of the world economy, which is vitally necessary for the existence of many societies.

There is one more aspect of the functioning of the market, which is much less studied and more controversial, but which nonetheless deserves special mention. As with any social phenomenon the market has its positive and negative sides. It seems that the more homogeneous a society, the more the market has a chance to develop its positive aspects, the less apparent its disequilibrating features. (This does not exclude that the market has a tendency to foster inequalities even in the most homogeneous situations.) The more unequal, unbalanced the starting situation, the more the market tends to expose its negative, destructive sides (not only economically but also socially, ecologically, morally).

Numerous market failures have given rise in all Western countries to different forms of state intervention into the working of the market. This intervention takes on various forms and is not limited to purely economic measures of macro-economic regulation. Social policies transform many aspects of the market, and tend to increase purchasing power and thus to stimulate the wide-spread introduction of standardized mass production. Recently, environmental regulation has become a prominent factor in reshaping the market and transforming its mode of functioning. At present the market in Western societies is very far from a free market; it is riddled with endless forms of state intervention, which substantially modify its functioning. The much talked about deregulation of the 1980s has not seriously changed the situation — one form of regulation more often than not was replaced by a new one. Today's mechanism of socio-economic regulation in the West constitutes a very complex interaction of stochastic market forces with various forms of state intervention and regulation.

Most of this was not understood in the USSR when perestrojka began. But it must have been so evident in the West that western advisers did not see the need to spell it out. Be that as it may, during the whole perestrojka process economic reform was the weakest link in the chain of transformations. All efforts were concentrated on the destruction of the old system of management and on the creation of some of the conditions indispensable for market formation and functioning. But most of the old barriers to free enterprise still remained. Dispersed elements of market conditions could not assure a normal functioning of the market; but all hopes were focused on automatic solutions once the market started functioning. As a result Russia now is faced with a snowballing economic crisis and a likely breakdown of its life support system.

In such circumstances the transition to a market economy becomes especially difficult. The country does not have any subsistence or semi-subsistence sector to talk about; accordingly it cannot hope in this fashion to cushion the negative effects of market failures and transition difficulties on the life support system of society. On the other hand serious government intervention is hindered by ideological factors (an aversion to planning and any kind of state economic activities), and liberal policies imposed by foreign advisers and by conditions on which foreign aid is extended. Existing structures and institutions distort emerging markets and direct market forces into predominantly non-productive channels, thus further weakening the life support system.

To a very large degree this is because the specific features of society in the former USSR have been persistently ignored. We may sum up by listing seven specific consequences of this oversight:

1) Decades of anti-market activity by the state have created uniquely unfavourable conditions for spontaneous market formation and constructive entrepreneurship in the country.

2) Many people are wary (if not openly antagonistic) to private property and market relations. This leads to a highly distorted market since potential entrepreneurs refrain from making long-term investments in major productive facilities and prefer more lucrative short-term speculative and financial operations. This tends to foster highly distorted market structures.

3) The market in Russia is being introduced after the country has already become a major industrial power. Large-scale industrial structures with far-reaching interdependencies and protracted production chains have been created, but all this has taken place on a non-market basis. The military-industrial complex plays an exceedingly large role and its conversion to civilian production poses very large and specific social and economic problems of their own. As a result the existing structures are in many cases incompatible with the functioning of the market, with market prices and market ratios. This adds a very burdensome new dimension to the market formation process. Moreover most of the productive apparatus is obsolete and in need of urgent reequipment and modernization.

4) The gap between the real economy and the financial sphere — which in the West is also beginning to pose difficult problems (“casino capitalism”) — has reached unprecedented proportions in Russia.

Budgetary financing of state owned enterprises, laxness in regulating monetary emission, voluntaristic, monopolistic prices, large-scale failure to repay loans have given top urgency to the need for financial stabilization.

5) The transition to a market economy is being undertaken in the largest country in the world with very high differentials in productivity, economic potentials, technological capacities, human resources. The growth of nationalism (which is partially fuelled by unequal starting positions) in its turn tends to aggravate the issues, gives rise to separatist tendencies, threatens to tear the emerging market apart (before it has time really to establish itself).

6) In contrast to most countries, where market formation began when natural resources were perceived to be limitless, this process in Russia is commencing in an atmosphere of growing environmental concern. This has numerous implications for freedom of enterprise, pricing, state intervention and other aspects of market formation.

7) A market is being created in a country that is very superficially integrated into the world economy. This means that the transition to the market will necessitate not only internally-induced structural changes but also the need to find a suitable place in the world market, to achieve a satisfactory level of competitiveness by international standards, to find appropriate forms of specialization, to make full use of the “human factor”, etc.

All these features constantly interact and their cumulative effect is to substantially aggravate all the problems and conflicts of market formation. Large differentials increase the wariness of the more backward areas and spheres towards the introduction of market relations. Widespread distrust of the market (coupled with large-scale unbalances in the economy, complex interdependencies and a precarious state of the environment) predetermines a situation when financial stabilization will not automatically lead to economic growth. It is becoming increasingly difficult to define where structural change and technological modernization should be a prerequisite, and where a result of the establishment of market relations.

This does not exclude the fact that Russia has several major advantages conducive to economic development and market formation — rich natural resources, a comparatively educated and innovative population,

a formidable research potential. This will also introduce unusual features into the market formation process.

Special mention should be made of the interaction between the economic and social dimensions of market formation. The historical heritage of an all-pervading social security system in Russia is very important. It predefines a low purchasing power of most of the population and numerous market distortions. As market relations grow the danger of marginalization quickly becomes not only a socio-economic but also a political issue (fundamentalism, backlash tendencies, etc.). Ingrained perceptions of social justice and memories of recent levels of living, increase the potential for social stress and undermine any legitimacy the market might have acquired.

\* \* \*

Let us now return to present events in Russia where perestrojka has led to numerous changes in all walks of life, both internally (in the former Soviet Union) and internationally in the world arena. Positive achievements (as always) are intermingled with negative ones, with the emergence of new problems. I would like to focus attention on three major results of perestrojka, since they are very important for the West and for future developments.

First of all — a fundamental change has happened in the world arena, a lessening of international tension, an end to the arms race; a totally new atmosphere now governs relations between countries. This is a major achievement, the beneficial consequences of which — economic, political, social, cultural — are very widely spread. This creates new prerequisites for the solution of numerous developmental and environmental problems, and opens up numerous new horizons and possibilities. The major costs of these changes have, however, to be carried by the former Soviet Union, where most of the difficult transformations took and are taking place. In this context a more understanding attitude by the world community and a greater involvement in the search for ways to overcome the difficulties and upheavals of transition would be helpful.

Secondly, the old system of governance has been drastically undermined. This is most obviously reflected in the disintegration of the USSR. The Soviet Union as a unitary political, military, economic entity has ceased to exist. This was the result of skilful manoeuvring in the autumn of 1991, which smashed Gorbachov's attempts to reform relations inside the federation without dissolving it. The methods by which this dissolution of the USSR was carried out created a very dangerous

precedent that could easily be reproduced at the level of the Russian Federation. Hence it is too early to say that the disintegration process has spent itself.

The disintegration of the Soviet Union means that the old system of centralized command-administrative governance (at the previous federal level) has practically been demolished. The central ministries have lost their power (which was partially transferred to the state apparatus of Russia and to a lesser extent of Ukraine, Kazakhstan and other CIS countries). The activities of the Communist party were practically suspended; numerous other parties and political organizations tried to step in and acquire part of the CPSU role. The armed forces have become a serious bone of contention between the newly emerging member states of the CIS; in the existing balance of power the army might become a political force on its own. The KGB has been broken up and reorganized; large remaining parts of it have been integrated into the government apparatus of Russia and other CIS countries. This is creating a very contradictory new situation. The break-up of the old system of governance was not accompanied by a parallel creation of a new system of governance. In some respects a loss of governance is perceivable; in many cases there exists a strange mixture of different conflicting elements.

Remnants of the old system are not hard to find. The old guard nomenclatura retains considerable power and influence — through previous networks, inertia in public attitudes and thinking, contentions that previous times were better, etc. The nomenclatura has lost only a small part of its power at the regional and local level. The old psychology also remains in large part intact. There still exists in many circles a feeling that the main issue is one of taking the appropriate decision (at a sufficiently high level) and then implementation would be more or less automatic. On the other hand the vast majority of the population continues to expect that all vital decisions will be taken by the “relevant”, “competent” authorities and does not consider itself responsible for what is happening. Moreover the feeling of not being able to influence the course of events is rampant. A substantial part of the population has not yet overcome its intimidated thinking, unquestioning attitudes to orders, conformity, conservatism and other features instilled during the stalinist and post-stalinist epochs. In this sense society is still saturated with various elements of command-administrative structures and mentalities, which under various conditions could be easily transformed into different undesirable monopolistic constellations, including mafia-type structures and institutions.

On the other hand new social forces and personalities are emerging, new parties and associations are putting forth programmes and proposals, creating a semblance of democratic governance. New thinking is increasingly pervading all areas. Innovation and activity are replacing conformism and apathy. Powershifts between the legislature and the executive are constantly changing the situation and making stable development ever more difficult. Local power groups are exploiting the situation in attempts to broaden their power basis.

This leads us to a discussion of the third major result of perestrojka — the practical introduction of pluralism into many aspects of social life. In a very short historic time a large society has moved from monolithic, monopolistic structures and institutions into a pluralistic framework. A one-party system has given way to a political system with numerous parties and non-governmental organizations. A political system based on a division of power between the legislature, executive and judiciary has been conceived and has started functioning. Tripartite arrangements between state, entrepreneurs and workers are being discussed but have not been seriously implemented. New social groups with specific interests and demands have emerged; foremost among them — a class of entrepreneurs and *nouveaux riches*, whose activities are concentrated more in speculative, than in productive fields.

But the emergence of pluralism is not accompanied by the creation of a corresponding institutional framework capable of moderating or reconciling divergent interests and regulating conflicts. There is no adequate delineation of functions, rights and responsibilities; as a result new institutions are constantly fighting over areas of competence, sovereign rights etc. The “war of laws” is a telling example, when organizations at different levels refused to abide by decisions taken at higher levels, saying that the latter did not have either legitimacy or competence to adopt the disputed decisions. Such a situation is a serious impediment to governance and stability in society and to a normal functioning of any political, economic and/or social system. Battles between newly formed institutions for more political power are aggravated by the prospect of privatization, in the course of which political positions will play a major role in the distribution of enormous wealth.

Another aspect of pluralism, that is now surfacing is the rapidly growing economic differentiation of society, which in a few years has opened up a very real prospect of a recently egalitarian society being transformed into a dualistic society with small enclaves of westernized elites and a vast majority of the population sinking below the poverty line. The hope is that the market will stimulate an expansion of economic activity and production. But at present most of the indispens-

able prerequisites for a transition from a speculative to a productive market are non-existent. In these circumstances rapidly growing dualism creates a very dangerous basis for social upheavals, ideological backlashes and political adventurism.

The second half of 1991 was in many ways a turning point in the evolution of events and policies, initiated by perestrojka. Many transformations that were slowly gathering pace suddenly came to a head and brought about serious changes. Most obvious among them is the rapidly deteriorating economic and political crisis, which is grinding development to a painful halt. Numerous laws and decisions, which could have helped in the installation of market relations were increasingly sabotaged and could not function. A tangible powershift also became evident in society. The new emerging entrepreneurial groups acquired increasing influence, especially after the events of August 1991. The interaction of these groups with the old guard nomenclatura reflects a new balance of forces. And most important of all (as we have already seen) — the break-up of the Soviet Union, which created a totally new framework for future development.

Behind all these transformations — less discussed but increasingly influential — is the continuing break-up of the life support system in Russia. This process was tangibly accelerated by numerous mistakes and miscalculations since the beginning of perestrojka. The latter (as already mentioned) was in no small degree conceived as an attempt to counter such a break-up. And, undoubtedly, wise and farsighted policies could have gone a long way to remedy the situation. But unfortunately the policies pursued were far from optimal.

Under the guise of introducing market relations many of the old restrictions limiting various economic malpractices and the abuse of political power were in small doses during perestrojka either abolished or toned down. Policy measures and strategies, ostensibly aimed at giving freedom to market forces in practice had some very negative consequences. Thus the first law of 1987, granting certain economic freedoms to enterprises and opening up some possibilities of creating independent enterprises led to a disintegration of many established production chains. In practice, individual enterprises and or workers' collectives when they opted for independent status effectively disrupted existing production ties and often (in highly monopolized and interdependent structures) in various ways created difficulties for the production of the final products. At the same time many ministries utilized this law to establish quasi-independent enterprises through which they got a splendid chance to by-pass existing price regulations pertaining to state economic units. This became a major factor in unleashing inflation.



Another major step allegedly aimed at introducing the market was the slackening of existing restrictions on the transfer of resources from cash to non-cash accounts and the permission to pay cash for certain types of sub-contracted works. This led to a tremendous flow of previously blocked funds into various kinds of semi-legal transactions, which in one way or another tended to increase real payrolls. In the final analysis this became a serious factor stimulating increases in monetary emissions, which very soon escalated to totally irresponsible dimensions.

A major stumbling block to market formation was (and still is) the fantastically distorted system of price ratios, which precluded any rational market-oriented policies. These distortions had historically accumulated (because of social policies, attempts to stimulate industrialization through low energy and raw material prices, etc.) and were sustained at the cost of tremendous state expenditures. The size of these distortions was such that it was inconceivable that they could be overcome by the working of the market mechanism on its own. One example. If we take an average ride in public transport anywhere in the Western world it will cost about one dollar. An average personal computer costs about one thousand five hundred dollars. The ratio is 1:1,500. In the former Soviet Union a similar ratio equals 1:300,000, or 1:500,000. Similar disparities prevail in relation to the vast majority of products. In many cases the deviation of price ratios existing in the USSR from average world levels has to be measured in hundreds of times. (In Eastern European countries similar deviations could usually be measured in tens of times.) Disproportions of such magnitudes cannot be overcome by market forces alone, serious preliminary state intervention to narrow down the gaps by changing existing production structures, productivity levels, consumption patterns is needed. When oil prices in the West were distorted threefold in the 1970s it took the market more than a decade to overcome the consequences — with very tangible state participation.

During the perestrojka years numerous attempts were made to change existing price ratios. The one time prime minister N. Ryskov proposed an interesting solution — prices on subsidized consumer goods were to be raised, subsidies cut and the corresponding economies were to be paid out to the population as compensation for price rises. From the point of view of market formation such an approach had a big advantage in that it would have led to an increase in internal purchasing power and invigorated a market mechanism reflecting internal economic needs. The proposal was however opposed by many statesmen who wanted price rises to give additional budgetary income. The population also was against the proposal, since it did not trust the government to

pay out full compensation. (As a footnote it might be pointed out that two years later the country had to accept a much greater price rise with much smaller compensation — since prices were liberalized without having preliminarily demonopolized existing structures.)

As a stimulus to foreign trade, export restrictions and exchange controls were partially lifted. In a situation when the internal market was contracting this led to an unexpectedly large expansion of exports and simultaneously a tremendous fall in the value of the rouble.

The economic policies pursued by consecutive governments in the former USSR and later in the CIS lack coherence and do not conform to any strategy of transition to a market economy. They suffer from overliberalization in some areas and rigid adherence to old regulatory systems in other fields. Economic incompetence, a total lack of understanding of market specifics and, evidently, sabotage by old guard nomenclatura at central and local levels only tend to aggravate the situation.

Since the end of 1991 the new Russian government has been concentrating its efforts on attempts to stabilize the financial situation through price increases, tax levies and other instruments which in some countries have at times given positive results (primarily in cases when the gap between financial and real economy indicators was many times smaller than it is in Russia at present). But these measures were implemented in the worst possible manner and without sufficient thought being given to the sequence of change. Moreover some indispensable measures — first of all a drastic curbing of monetary emission and speculative credit — have not been realized. Such policies have placed Russia on the brink of hyperinflation; they are leading to a three to five-fold drop in living standards, to a contraction of internal purchasing power and internal consumer markets. Since a rapidly growing share of monetary incomes is devoted to food, the market for clothing, furniture and other consumer goods is shrinking; this is placing many otherwise efficient enterprises in the relevant industries on the brink of bankruptcy. As a result, production is falling, vitally needed demand is not satisfied, requests for external humanitarian aid are growing. The prospect of hyperinflation is diverting existing accumulations from productive investments into speculation. These distortions are in no way conducive to market formation for economic development. They are a result of a narrow preoccupation with financial solutions to problems, which in essence are economic and social and which are susceptible only to broader economic and social solutions. But they are tremendously accelerating the breakdown of the life-support system of the country.

At present the Soviet Union is going through a serious economic and political crisis out of which it will most likely surface with a very specific type of mixed economy. A prominent role will be played by a modified state sector (largely fragmented between regions) which will include numerous quasi-state corporations, associations, etc. At the same time a very heterogeneous, distorted private sector, clumsily and incompetently regulated by the state is emerging. Of paramount importance for the country's future will be the concrete type of regulatory mechanism that will pull together all these economic factors. Its general outlines are now taking shape. But important details (which will specify its functioning) are still to be defined. To a large degree they will depend on the perception of the problems and the sequence of possible solutions that will prevail. Of special significance are the non-economic aspects of development. It goes without saying that this process of creating a new regulatory mechanism will take a long time and we are seeing just its early stages.

Russia has a tremendous economic potential — human and natural resources, productive and research capacities. But they are concentrated outside the life support system, and/or they are not integrated into the civilian production process. The problem facing the country is primarily one of transferring the existing potential from where it is to where it is most needed to sustain society. If the market is to play any role in this process its main instrument — the purchasing power of the population must be fully brought into play. The policies pursued at present are doing exactly the opposite. Moreover, distorted structures and institutions are creating an environment in which the market can only get the wrong signals and accordingly elicit the wrong responses. A relatively long transition period is inevitable in which a comprehensive state programme is essential to narrow down imbalances, bring productivity, price ratios, production structures closer to those prevailing in the world at large. Delegating problems of such dimensions and complexity purely to the market forces can only invite disaster.

The paramount task is to cut down the existing gaps, imbalances and disproportions both at the macro and the micro levels and narrow the existing discrepancies between financial and commodity flows. As the experience of recent years seems to convincingly show, price liberalization at this stage is not an adequate solution. Given persisting monopoly structures and an increasingly skewed income distribution, prices tend to stabilize at a socially totally unacceptable and unsustainable level. And even this precarious stabilization is conditioned on rigid control of wages, which makes a mockery of the whole liberalization concept and brews serious social trouble in the very near future.

This pegging of wages in Russia at present is going hand in hand with a swiftly increasing pull on some prices of the external, export sector, exacerbated by a severely undervalued rouble. Prices on most commodities and services that can be exported, smuggled or in any other way exchanged for hard currencies are rapidly rising to something like a parity (at existing exchange rates) with world price levels. As a result, price liberalization is leading not to a narrowing down of the distortions between internal and world price ratios, but to their further growth.

As to structural transformation (including the enormous task of converting the industrial-military complex to civilian production), industrial modernization, technological renovation — all these processes (as the experience of Western countries amply shows) always demand a certain, rather serious government participation and involvement. The main problem is to direct this involvement into channels that will be conducive to future market development and not become a stepping stone to a retreat into old state planning and command-administrative practices. Given the existing social structures and political alignments in the country this is not a simple task. And it is here that foreign experience and intellectual assistance is sorely needed.

Another major issue which with present structures and conditions cannot safely be left to the market is the question of the optimal relationship between inward and outward oriented development. Theoretically, the problem seems to be rather clear. External economic relations are expected to supplement and stimulate the internal development effort. In practice the situation is much more complex. To the extent that market forces are given any freedom, existing policies tend to foster outward oriented economic activities, due to depressed internal purchasing power, dwindling accumulations, lax exchange controls, undervalued rouble, etc. This in turn aggravates most internal problems of market structures, income distribution, capital investment, resource allocation, management, training, etc. But I shall return to this question a little later.

\* \* \*

It is impossible in one lecture to even enumerate all the economic issues, which disrupt the life support system of the former Soviet Union and which do not lend themselves to spontaneous solution by free market forces. But it is important to point out that the introduction of the market, especially in the first stage, tends to aggravate rather than solve a large number of issues in society and sometimes to create serious new barriers to progress.

The centrally planned command-administrative system tended in many respects to blur individual and institutional rights and responsibilities; this fostered a certain lawlessness and dependency relationships which gave the higher echelons of power additional leverage. The market on the contrary demands a strict delineation of functions, rights and responsibilities. The stumbling introduction of such a delineation in the last years is an extremely conflictual and painful process, acquiring very distorted forms and giving rise to lop-sided institutions and structures. I have already mentioned, that the lack of a clear delineation of functions between political institutions is constantly destabilizing the political situation, leading to conflict of laws, etc. An analogous process is happening in the economic field.

Unfortunately, in Russia at present this problem is not finding any comprehensive solution. Most often it is being reduced to its more narrow and simple form — property ownership rights. In a country with nearly total state ownership of economic resources this means — privatization. But as luck would have it, this is also a most controversial social and ideological issue. Several generations of people have — with little reward — put all their lives' effort into the accumulation of the now existing productive apparatus, which was viewed as common property. And they consider that this input should be adequately taken into account in any redistribution of existing wealth and property.

Given that the country has not known market relations and private property for many decades and that most of the means of production are in state ownership, privatization was from the very start quite evidently going to be a very vast and difficult process. But only in the last year and months is the population comprehending its real significance, scope, magnitude and difficulty. The land, natural resources and industrial capacities (albeit very obsolete) of one sixth of the world, might in a relatively short time be transferred into private ownership. More than a quarter of a billion people are (somewhat belatedly) waking up to the fact that their individual economic and social status (and that of the future family generations) will very soon become predominantly dependent on the forms and methods by which this privatization process will be carried out. A tremendous powershift is taking place. Not only the distribution of current incomes is changing. Privatization means a fundamental transformation in the basis of power, in the future status and prospects of individuals and social groupings. The realization of this fact is having an increasing impact on the activities and mentality of a growing section of society. The lack of any socially accepted or even legally elaborated basis of this major process is increasing the confusion and laying a dangerous foundation of

illegitimacy for future market institutions. A tremendous spurt of irreconcilable ideological, political, legislative conflicts hinders the solution of current problems and makes progress towards market relations and any economic development even more difficult. The commencing powershift is giving a strong additional impetus to separatist movements, proclamations of sovereignty, conflicting legislation to say nothing of crime, corruption, erosion of moral and ethical values, etc. A new everyday word has appeared in the Russian language — “*bespredel*”, which should be translated as a crumbling of moral and legal restrictions.

In essence there exist at present many different concepts of privatization in the former USSR. Various interest and social groups have their own vision of the forms, methods, legal framework, political setting, economic and managerial conditions in which this process should take place. The central and local governments, faced with acute budget and foreign payment deficits would prefer the outright sale of existing resources to the highest bidder. Such an approach is actively upheld by the *nouveaux riches*. The old nomenclatura managers would prefer a more conservative approach which would hand the existing enterprise over to them. Workers' collectives have their own concept of these processes which would give them a bigger share in the ownership and management of their enterprises. A large part of the population is against any programme of privatization which would pass ownership into the hands of people whose fortunes were made in what they thought were unscrupulous or shady ways. Ideas of equitably sharing out existing assets between all groups of society are widely supported but it is not clear how it could be done, nor how various bureaucratic activities — unauthorized sale of assets, passing of property right to management groups, etc. could be stopped. In short, the need for privatization is more or less widely accepted. And entrepreneurship in the former Soviet Union is quite evidently expanding. But if present practices (or to be more precise — malpractices) continue, growing parts of the population could easily turn against privatization and market concepts as the only way to hinder unacceptable forms and methods of change. The present barbarous approaches to market formation may easily become counterproductive and jeopardize the prospects of market relations, their legitimacy and acceptability by society for a long time to come.

\* \* \*

In these circumstances the West should ask itself several hard but very important questions. First among them is the following: Does the West

continue to view the former USSR as a potential enemy (that has to be further weakened) or as a dangerous powder keg which has to be defused as quickly as possible? If we are to judge by practical actions and not by policy declarations, there still seems to be enough inertia in some quarters in the West to justify the posing of such a question. Much of the advice extended by the West (and much of the conditionality on which foreign assistance is granted) does not take into account the specific problems of the CIS countries and first of all the precarious state of their life support system. Society in these countries depends on a highly industrialized and interdependent productive apparatus which can operate satisfactorily only if it is managed by a constantly functioning regulatory mechanism. The old mechanism — command-administrative planning — is fundamentally undermined and is rapidly losing all capacities of control. The market mechanism will inevitably take a very long time before it can boast of sufficient legitimacy, trust, social infrastructure, accumulated legal and other institutions, management skills, entrepreneurial initiative, etc. to be able to take over the regulation of the existing complex life support structures in the former USSR. In these conditions narrowly conceived advice to focus all efforts on market formation could easily lead to catastrophe — and in the not so distant future.

A decision to continue regarding the former Soviet Union as an enemy that must be further weakened is a political decision that people in the West are perfectly free to take (or not to revise). Slowness in shifting to new appraisals is also not so surprising, given existing inertia in social and international fields. But their consequences are worth further elaboration. It is not realistic to suppose that more than a quarter of a billion people will quietly acquiesce in a rapid fall in their living standards below the poverty line without actively attempting to change existing trends.

This has, up to now, not been the case — on any large scale. Partially this is explained by mass hoarding of stocks in the previous period and by a subservient faith that the experts at the top know what they are doing and what is best. Both these factors are wearing out, especially in the light of the very controversial results in market formation: new incentives for investments in production have not emerged and production itself is constantly falling. But there is another, more deep-rooted factor which explains the present passive popular attitudes towards unpopular measures by the government. And this is a feeling of frustration, hopelessness and alienation, a dumb sense of impossibility to influence events and a fear of something even worse to come. This to a large degree is a direct and very dangerous long-term heritage of the

GULAG system which even today continues to play an important psychological role in society. To what extent perestrojka has changed this situation, and in what direction, is at present very hard to tell. Of late the unpredictability of possible reactions has been increased by the current economic and political crisis. But the present state of mind in Russia deserves special attention, given the Russian heritage of extremism, terrorism, anarchism, revolutions, etc. The existing socio-political situation in the former Soviet Union is very unstable. Internal policy mistakes compounded by inappropriate foreign advice and pressure are leading to a further aggravation of the economic situation; this is increasingly translated into social tension with a high potential of social unrest. The prospect of further destabilization and loss of governance is quite real. And nobody can say for sure whether a social upheaval will take place before or after the disarmament process has been successfully terminated. But several scenarios of possible developments could easily be proposed.

The first one would focus on the difficulties with which the conversion process in the military-industrial complex has to cope. People with high industrial skills and research capacities are told to reorient their production not just to civilian needs but simultaneously to comply with the demands of the market. This is a very difficult transition made even harder by the rapid shrinking of the internal market. Export possibilities are restricted by saturated markets in the West and political and other limitations on exports of arms to some developing countries. Government contracts have decreased drastically. The possibilities of survival as functioning economic entities, of paying salaries to the staff, of solving social and other problems are becoming dimmer and dimmer. In these circumstances it is not unthinkable that some of the influential people in this military-industrial complex will opt for a return to old policies and attitudes, to previous conditions, when they were in a privileged position and in control of a large part of the economy, if not of society.

Another scenario could focus on the very real danger of nationalistic and separatist movements and the threat of civil disturbances and wars in various regions. Practically speaking this is not an abstract scenario of a doubtful future but something that is already a reality of everyday life in several regions of the former Soviet Union. With a worsening of the economic situation and the growth of social tensions such events might easily become commonplace, further disrupting economic and social ties, creating new causes for social instability. With the existing level of nationalistic fervor it is hard to conceive that arms are not being illegal hidden away somewhere. The main point of anxiety stems from



the fact that this is happening in a country strewn with atomic and other weapons of mass destruction. With the existing feeling of social injustice and national humiliation, it is very hard to predict the practical forms that possible fanatical and/or national grievances could take.

Growing dissatisfaction among the population could also lead to another scenario in which social stress will be translated primarily into acute political and ideological conflicts. Many of the new political parties are trying to cash in on the growing discontent of the people with rising prices, economic hardships, prospects of growing unemployment, etc. Demagogically these parties promise easy and quick solutions to difficult problems, appeal to old notions and nostalgic feelings of bygone times. They hope in such a way to create a political backing and to attempt in the future to come to power through elections or by other means. Increased political instability might lead the powers that be to resort to more dictatorial methods of rule.

Another possible scenario would concentrate on the growing decentralization of economic and political power. The powershift towards regional and local authorities is very marked at present in Russia, Ukraine, Kazakhstan and some other CIS countries. This is tangibly undermining central authorities, eroding their economic and financial base and often creating potentially unstable relationship between legislative and between executive powers. Endless conflicts over the legitimate division of authority are seriously weakening the existing system of governance.

Newly emerging entrepreneurial social groups are imposing their ideology and culture on a recalcitrant population; this gives rise to various fundamentalist and traditionalist movements, which serve as an explosive background for nationalist and separatist tendencies.

As unemployment and other negative aspects of neo-liberal policies and the so called shock therapy begin to emerge an increasing number of highly skilled and qualified specialists will be thrown into the embraces of shady institutions and mafia-type organizations. This could easily lead to a qualitatively more dangerous situation not only internally (in the former USSR), but also internationally.

All these scenarios reflect existing trends in the former USSR society. Viewed together they seem to imply, that the CIS countries no longer constitute a threatening source of conventional warfare. But they are quickly becoming a dangerous source of civil strife, social disorder and economic disruption. Accordingly, the perspective under which events in these countries are viewed should be updated and reconsidered.

The present crisis in the former Soviet Union is not an ordinary political or economic crisis. It is a very unusual crisis created by a rapid

disintegration of the mechanism regulating an already complex, interdependent life support system of a very large territory and population. The main danger stems from the difficulty (hopefully not the impossibility) of rapidly installing another viable regulatory mechanism. Up to the present moment only mosaic patches of legislation, needed for the introduction of market relations in the former USSR have been adopted. But even their implementation is meeting strong resistance and many well intended initiatives have led (as we have seen) to totally unintended and unexpected results. But the major problem stems from the fact that market relations, when they are based on a patchy, inconsistent legal and institutional framework (to say nothing of lopsided economic structures) inevitably become distorted and produce an average negative economic result — predominant investments into speculative trading and not into production, monopolistic practices, political-economic collusion, etc. In a context of depressed internal purchasing power, increased inequalities in income distribution, distorted productive structures, inconsistent legislative and institutional framework the market cannot function as a constructive guide neither to investments, nor to other economic activities.

The most urgent problem facing Russia now is to find a transitional regulatory mechanism capable of achieving a satisfactory balance between several conflicting tasks. These are:

- how to take over as quickly as possible the regulation of the already functioning productive apparatus and put a stop to the disintegration of the life support system;
- how to cut down the inefficiency in the economy, including the closure of inefficient plants and a more rational redistribution of resources;
- how to minimize old styled command-administrative state intervention into the economy;
- how to create conditions conducive to a transition towards a civilized, western-style regulated market, capable of stimulating rational production structures, economic expansion and put an end to the continuing deterioration of living standards;
- how to achieve both market legitimacy and political stability.

Such a mechanism will have to function for a rather long time, since it is not realistic to think that the prerequisites for a production oriented market (market and private property legitimacy, trust, legal framework, etc.) can be created in a short time span. At the same time (as any transitional mechanism) it cannot be rigid and must constantly evolve with time and changing circumstances. One of the most difficult questions that has to be answered is the following: what criteria should

be used in defining which inefficient enterprises should receive some kind of temporary state support (since they are essential for the preservation of the life support system) and which should be allowed to go bankrupt (because they are overtaxing the economy). Existing imbalances must be overcome. Price ratios must be brought into line with those existing in the world economy. A workable balance between speculative and productive markets, conducive to economic development, must be established.

Even this short enumeration of the features which a regulatory mechanism in present day Russia and some of the other CIS countries must have (and the problems it must solve) in the near future highlights the many difficulties of its emergence. At the same time it is quite clear that we are not talking about a simple free market mechanism, which is totally inadequate to deal with most of the above-mentioned issues. A major intellectual effort is needed to define the best ways of fostering such a mechanism, of finding the optimal balance between the right types of state intervention and the working of the market. This is an area for fruitful research and of much needed assistance.

\* \* \*

The second question that the West has to ask itself: is it interested in a maximum or a minimum outward orientation of the development pattern of the former Soviet Union.

The processes evolving in the ex-USSR, and first of all the transition to market relations and the disintegration of the country, are stimulating a strong outward bias in development patterns and having an ever increasing impact on the world economy. Both these processes constantly interact and reinforce one another. The first stages of market formation in the USSR gave a strong additional impetus to nationalistic and separatist movements in many parts of the country, fostering hopes of independent integration into the international economic community and local control over privatization. On the other hand, the disintegration of the Soviet Union is to a very large extent fashioning the type of markets and the development strategies that are emerging in the member states of the CIS. Whatever form and magnitude these two processes acquire, they are in the final analysis going to have a very serious impact on the world economy — disrupting some sectors, reshaping others.

This stems from the very size of the ex-USSR economy. The former Soviet Union was comparable in territory, natural endowment and population with a whole continent, like Latin America or Africa. From the point of view of the dynamics of economic and social processes we

have to think in terms of say hyperinflation or privatization not in just Bolivia or even Argentina, but in the whole of South America.

In contrast to most developing countries the former Soviet Union was a highly industrialized state, with intricate interdependencies, long production chains and a high level of division of labour. The main problem facing the country previously, and its constituent parts now is not industrialization *per se*, not structural adjustment, but a profound structural transformation. And this in a situation when the life-support system of society already depends predominantly on an economy, whose distorted structures were defined irrespective of market forces and which today has moreover become technologically obsolescent. Previous decades of centrally planned economic growth have led to a highly autarchic, inward-concentrated type of development, with a high degree of interdependence between constituent parts.

Market formation, whatever course it will take, inevitable will give an additional impetus to an outward-orientation of the development process. This follows from the need for foreign capital, technology, know-how, international standards and all the other attributes of competitiveness, which are so lacking in the Russian economy. This also stems from the negative aspects of market formation — lack of capital accumulation, growing unemployment (which fosters emigration), limited internal purchasing power, etc., which usually have a tendency of spilling over into new demands on the world economy.

The disintegration of the Soviet Union will substantially accelerate these tendencies. Previously each component part of the USSR was closely interwoven with other economic units in the country. Foreign economic ties were limited to a minimum. Now with the falling apart of the ex-USSR an accelerating process of outward orientation of the newly-emerging states has begun. Numerous economic ties, production chains and interdependencies, established during decades of forced industrialization in the USSR are being mutilated or torn to pieces. The distorted specialization of previous years is being brutally transformed by economic policies, which give priority to local needs and attempt (in a situation of increasing shortages) to satisfy these local needs by annulling previous commitments to other areas and/or by directing available resources into channels of direct barter trade. This trend is reinforced by a exceedingly high premium on hard currency, which makes most economic units (to the extent that they are becoming increasingly independent) extremely interested in exporting abroad instead of selling for roubles.

Some idea of the size of the possible disruptions this can create can be gained from the following facts. During the last years out of all the

exportable surplus of oil and gas production in Russia, about half was shipped to other republics of the Soviet Union and only the other half was exported outside of the USSR. With the independence of the Ukraine and Kazakhstan, Russia has been cut off from two vital sources of its grain consumption (in a situation when Russia was already a large importer from world markets). The disruptive spillover into the world economy from such processes could be enormous. Already now Russia and some of the other members of the CIS are selling large quantities of gold, platinum, uranium, aluminium and other primary commodities with depressing consequences for prices on the respective world markets. The grain imports and the needs for humanitarian aid of both Russia and the other CIS states are too well known to warrant special elaboration.

The convergence of market formation and the disintegration of the USSR is going to tremendously increase the impact of events in the former Soviet Union on international economic relations. Previously the Soviet Union had a small but more or less stable share in world trade and financial operations. Now this share is going to increase irrespective of the concrete forms that market formation and/or disintegration processes take. This will have both positive and negative effects for the Western economies. The capital-investment demands of the CIS countries are mostly going to aggravate an already difficult problem. The market formation process (if it takes rational, productive forms) could create new outlets for many branches of Western industry, that are today battling with saturated markets. The prospects of increased raw material and energy exports from CIS countries could — depending on their magnitude and conditions — be either conducive or dangerous for the Western economies.

The impact that the increasingly outward orientation of the former Soviet Union will have on developments in the West (its scope and character) will to a very large extent depend on two — predominantly political — factors: firstly, the concrete strategies and policies adopted in the former Soviet Union, the form and scale of economic reform in the constituent parts of the CIS and, secondly, on the degree to which their integration into the world economy will be left to spontaneous market forces or will be regulated by a preconceived, negotiated strategy of changing East-West economic relations. Unfortunately, present trends of both factors seem to favour the more disruptive scenarios of the ex-USSR's participation in international economic affairs.

The present Russian government has totally associated itself with neo-liberal approaches and with the shock therapy prescriptions recommended by international economic organizations. To a certain

degree this reflects a strong desire to demonstrate an unequivocal rupture with previous practices, with any conscious and targeted state intervention into the economy. On the other hand this reflects an absence (up to the events of August 1991) of any comprehensive socio-economic programme of the opposition to Gorbachev and of its unpreparedness to take power.

The policies pursued by the present Russian government and the advice given by international institutions tends to drastically shrink internal purchasing power in the country. Price liberalization (in a continuing monopolistic framework with prevalence of state-owned enterprises) has led to a fifteen to twenty fold increase in consumer prices, supplemented by a tangible cut in free and subsidized social services. The vast majority of the population was compensated only by a three to five times increase in monetary wages. Accordingly a very big shift in consumption patterns has taken place. This is practically destroying (if not wiping out) many internal consumer markets and leading to a marginalization of numerous key industries. The final result of this process is twofold. On the one hand an increasing number of people cannot buy the bare necessities of life and there is growing need for humanitarian aid to many areas of the former Soviet Union. On the other hand many consumer goods industries are losing their internal markets and are feverishly trying to reorient their activities to external markets, be they in the West or in developing countries. A comparison of data for the first quarter of 1991 and 1992 shows that there has been in many branches of consumer goods industries a two- three- and sometimes four- fold increase in the share of exports at the cost of the internal market.

A policy of *de facto* lifting of some foreign exchange restrictions has led to an undisputed undervaluation of the rouble, which in its turn is very actively fostering an outward orientation of economic activities. Sales for hard currency at one-fifth (or even less) of the prevailing world price still brings the producer a handsome profit and gives him the possibility of comfortably continuing production. Anyone who has anything to sell abroad, does so. Profits are such that entrepreneurs will not stop at anything to export. This leads to numerous malpractices, corruption and, mafia-type operations.

The increasing debt burden is another major factor in the outward orientation of the former USSR. Prevailing policies are evoking increased opposition in the population and in political circles. The latter reflects a growing apprehension of prominent statesmen and scientists about the priorities and economic rational of the present economic programme, especially the savage cuts in living standards and purchasing

power, which (in a situation of persistent monopoly structures) is undermining the existing life support system of society and leading to the curtailment of many vital industries, distorting efficiency criteria, precluding any possibility of industrial conversion, without setting in motion any tangible new constructive mechanism of stimulating economic recovery and development. Such a policy is increasingly oriented on foreign assistance and complies with its conditionality.

The attitude of the West towards events in the former USSR are to a large extent conditioned by the prevailing Bretton Woods framework of thinking. The theoretical basis of this framework is economic neo-liberalism, slightly modified and reoriented by the experience of half a century of foreign aid policies.

The basic assumption is that markets (once they are given a free scope in a country) can and will bring about benevolent changes, curtailing economic backwardness, poverty and hunger and create an efficient foundation for future development. As such it very often served as an instrument of overcoming various forms of protection and installing a free trade system. In practice the Bretton Woods system always had a very large component of aid and credits and therefore was constantly skewed towards questions of a country's creditworthiness, its capacity to repay loans, its external economic status.

The Bretton Woods system was conceived as a regime regulating economic relations primarily between developed countries, with more or less equal levels of development. Moreover it was installed in a context of post 1945 conditions when a strong democratic movement influenced the whole situation in Europe, establishing a favourable climate for social security, reasonable wages and a sufficient purchasing power of the population to generate an internally oriented development process. If any help was needed in this respect, it was given by the communist threat from the East which moderated any encroachments that could have been made on living standards and purchasing power in Western Europe at that time. Various economic and political forces tended to reinforce a balance between productivity growth and wage levels. In these circumstances the question of the main directions of development (including the problem of inward or outward oriented development) did not arise; or to be more exact arose only in one dimension — should development be in a pro-communist or an anti-communist context. To a certain degree the existence of this dilemma stimulated a more balanced approach with adequate emphasis on internal issues. The Bretton Woods rules were applied with numerous exemptions and the need to take account of internal situations and problems was fully acknowledged. The Marshall Plan in these circum-

stances could deal primarily with external aspects of development. It created numerous useful instruments for future aid programmes — conditionality, counterpart funds etc. But it also established a conceptual framework in which development activities had a strong outward bias.

Such a neo-liberal approach (which was to some extent understandable and justifiable in relations between countries at a similar level of development) were later transplanted to relations between developed and developing countries but without adequate modification. It was supposed that the market would bulldoze an optimal solution irrespective of the concrete conditions prevailing in a country. This approach faltered on two accounts. The market could not cope with a totally different socio-cultural environment; the deeply entrenched value systems and traditional structures could only partially be transformed under the impact of modernizing forces. The distorted, meagre internal markets that were thus created could not serve as a basis for an adequate new life support system in these societies. By international standards most of the productive apparatus in developing countries was uncompetitive and in a free market situation was doomed to extinction. Moreover the existing local potential (capital, labour force, entrepreneurial skills etc.) under constant competitive pressure from outside could not organize itself into any alternative life support system. Hence the deep crisis in the developing world. Foreign aid was directed to a few specific areas and could not fill all the gaps that were thus created. What's more, there exists a tradition in aid policy to accord special attention to the external payments aspects of a country's situation; *inter alia*, economic policies give special preferences to measures that stimulated export orientation. In the smaller countries the emerging problems could to some degree be solved by various forms of integration into the world economy. But the larger countries (unless they could put up a fight in defence of their specific internal interests) were doomed to problems of dualistic structures and constantly deteriorating socio-economic conditions.

Thus a certain pattern of foreign aid and development assistance evolved which did not give high priority to the internal specifics of other countries, but concentrated more on the external aspects and the prospects of outward orientation in an economy. Such a narrow economic approach more often than was thwarted by the non-economic — political, social, cultural, environmental — aspects of development (since the purely economic questions were usually dealt with by sufficient financial injections).

This heritage defined the first stages of Western approaches to the problems of Eastern Europe and the former Soviet Union. But if



previously the West had to deal consecutively with various small and medium-size countries, now it has to devise a policy in relation to a big group of countries, who are entering a transition period more or less simultaneously. This means that a new factor must be taken into account — what will be the impact on the world economy of a simultaneous application of previous policies to a big group of countries with a tangible economic potential. One could have expected that these questions would be widely and seriously discussed at the earliest possible moment. But this unfortunately did not happen.

Even now, no seriously elaborated concept or internationally discussed programme of integrating the former Soviet economy into the world market exists. Policy-makers and entrepreneurs in Russia are told to create conditions conducive to market formation, lower costs, decrease wages, modernize technology. All this in a situation of shrinking internal markets and a preponderance of saturated markets in the West. Moreover, there is, up to now, little hope of any negotiated multi-stage approach to future integration, comparable, say, to the methods adopted by the EEC in relation to Spain, Portugal, Greece. Foreign participation in solving the economic problems of the former USSR is mostly limited to financial aid in quite evidently insufficient quantities.

Given this situation, all that can be expected are wildcat exports and other methods of gaining hard currency at any and all costs. In such an all-out competitive struggle, the entrepreneurs from the former Soviet Union have several evident advantages. They are starting with extremely low wage levels and a comparatively docile labour force. Previous social security measures and policies are being dismantled very quickly. The entrepreneurs and managers themselves (many of them previous directors of enterprises in a planned economy) have a big experience in surviving in stress conditions, of evading legal barriers, finding unconventional solutions to unpredictable problems. Existing exchange rates give them a very wide margin of manoeuvre. They dispose of a very formidable natural resource base. All this augurs very destructive and painful competitive struggles with devastating repercussions on social conditions both in the East and in the West.

In these circumstances both the former countries of the Soviet Union and the countries of the West ought surely to be interested in a minimal disintegration of existing economic ties of CIS countries and in the adoption by them of maximum inward-looking development strategies. Only such an approach could cushion the negative consequences of the disintegration of the Soviet Union on the world economy. The short-term profits that could be reaped by some groups are incomparable with the likely medium and long-term losses if an unregulated, active

outward-oriented development were to unfold rapidly in Russia (as well as in other members of the CIS). Up to now, however, the West has made practically no special effort to counter the economic disintegration of the former USSR or to stimulate the growth of the internal market.

### *Conclusions*

The first conclusion is that the conceptual framework for a viable long-term strategy of transition from a centrally planned to a market economy has not been worked out. The methods of market formation, and the overall development policies, which are emerging today in Russia could easily become counterproductive, could give rise to fundamentalist backlashes, stimulate separatist movements, and wipe out many achievements of perestrojka. In such unstable conditions "progress towards the market" (especially if it is measured by speed criteria) will not have the positive effects that are expected. The market will not create a stimulus for increasing production (let alone efficient production). The negative aspects of market formation may become a basis for socio-political upheavals which will preclude future development on a democratic market basis.

There is an urgent need for a better understanding by the West of the internal situation and of the specific problems of the former USSR and of the existing interactions between the economic, political, social, cultural and ideological processes taking place, and of the difficult choices that have to be made. It is imperative to acknowledge that there are no quick and easy solutions and that the shock therapy approach will not work in conditions when previous development precludes spontaneous market reaction and when the major task is structural transformation and the overcoming of large-scale gaps and disproportions at the macro and micro economic levels. Such a transformation will take time and will necessitate a well-thought-out strategy of sophisticated state intervention and participation. Assistance in elaborating such a strategy and in better understanding of the problems involved could be much more productive than an additional sum of economic aid.

The second conclusion is that existing methods of market formation in Russia are jeopardizing the future legitimacy of any market relations that could evolve (and in a worst scenario could provoke a dangerous backlash). It is therefore imperative to canalize this process into more civilized and socially acceptable forms. Of primary importance in this context is the speedy adoption of effective legislation curbing malprac-

tice, fraud, corruption and the unrestricted abuse of political power with pecuniary aims. A major component should also be a serious review of present economic policies and practices with the aim of excluding elements (e.g. the dismantling of the social security system) which in the future will diminish the public acceptance of market relations and of private property institutions. A key factor in the present situation is the elaboration of a socially acceptable approach to the whole privatization process. This warrants a special large-scale intellectual input and in some cases could be the object of relevant financial aid initiatives and conditionality. If serious progress in this area is not forthcoming, the legitimacy and stability of market relations in Russia will constantly be in question.

Thirdly, a first priority issue is the food problem. This necessitates a fundamental agrarian reform, allowing greater freedom of economic activity to all links in the food production-distribution chain. Given the stubborn resistance that land privatization evokes in Russia, it might be in some cases more efficient, as a first step to liberalize the leasing of land and of major links in the food distribution chain. A major issue is also that of increasing storage and conservation capacities. In all these areas foreign assistance could be very useful and could promise quick results.

Fourthly, given the major role of the military-industrial complex in the economic structure of the former USSR, it is imperative to work out a comprehensive programme of conversion of at least most of this complex not just to civilian, but primarily to market-oriented production. Such a programme must encompass both economic and technological aspects and cover most of the sectors, not just those bits and pieces, that are at present perceived by the West to be most threatening. It would seem appropriate that a much larger share of Western economic aid should be directed to these aims. If such a programme is not forthcoming the well organized and influential military-industrial complex might easily become actively antagonistic to the reforms in progress and opt for a return to pre-perestrojka conditions and international policies. This constitutes at present one of the biggest dangers to international security.

Fifth, there is an urgent need to acknowledge that outward-oriented development can play only a marginal role in the solution of Russia's problems and that the major effort should be devoted to developing the internal market. The overriding aim should be not just any market at any cost, but a stable, legitimate market, capable of stimulating production and satisfying the major part of the country's needs. This would presuppose serious measures to stimulate investment into produc-

tivity growth, renovation and modernization of the major production chains, a fostering of retraining facilities, a stimulation of internal purchasing power and a lessening of income inequalities. A higher priority should be attributed to an optimal interaction between the internal and the external market. The existing pull of the external market is severing vital internal economic ties, accelerating the fall in production and could have dangerously disruptive consequences for the international economy. In the present jockeying for political positions and the struggle against the economic crisis the longer-term objectives of increased productivity and a more equal distribution of incomes should not be lost. A more realistic time horizon for the convertibility of the rouble has to be adopted. Strict regulation of outward-oriented activities and foreign exchange transactions would be in the longer term interests of both Russia and the West.

Sixth, a new conceptual framework has to be worked out to help Russia find its place in the world economy and get the maximum effects from its external economic relations. The convergence of market formation and the disintegration of the former Soviet Union is pushing Russia (together with the other CIS countries) into a very dangerous stance, when these countries are increasingly becoming outward-oriented and are forced to strive for any and all forms of competitiveness. Their major advantages in the present situation are the low level of wages (inherited from the GULAG system), abundant natural resources, a shaky system of governance and very loose property rights and responsibilities. This creates especially favourable conditions for large-scale dumping and other economically-aggressive expansionist practices. If left to themselves these tendencies might acquire very dangerous and disruptive dimensions for the world economy.

The main safeguard against this is the fostering of more inward-oriented development strategies in Russia, Ukraine, Kazakhstan and some other CIS countries. But the integration of these countries into the world economy constitutes a major problem in its own right; its solution should be seen as a bilaterally controlled process. On the one hand the CIS countries should have an operative strategy, defining the role of external economic relations in their overall development effort, their priorities and possibilities. On the other hand the Western countries must define the concrete scope, form and methods of integrating the former USSR into the world economy, which they consider acceptable and which they are ready to foster. An unregulated, unnegotiated, free market solution of this problem will be extremely costly and disruptive for both sides. The level of wages in Russia and other former USSR countries is such that in a competitive struggle they can seriously

impinge on the existing social framework in the West (even leaving aside the use of mafia-type institutions and practices). In the final analysis an all-out unregulated, unnegotiated, competitive struggle of the former USSR for a place in the world economy will in no way be conducive either to world security or to a rational and durable international division of labour.

Seventh and last, given the embryonic state of market relations in the former USSR (and the new problems created by the disintegration of this country), it is more than doubtful that the traditional sequence of economic integration is applicable or even desirable here. With the existing industrial structures, price discrepancies and distorted foreign exchange rates any lowering of external trade barriers will inevitably have very little real impact. Accordingly another sequence of integrating the former USSR into the world economy seems more plausible. This would lay more stress (in the primary stages) on coordination and harmonization in the environmental and social fields. Specific agreements in this area could be viewed by both East and West as a commitment to further integration in the future. At the same time such agreements could reduce the threat that the former USSR countries will attempt to achieve international competitiveness not so much through the modernization of their productive apparatus as by measures depressing wage costs and living standards. The already emerging trend in CIS countries towards lowering social and environmental standards could constitute a real danger to cohesion and modernized development in the West — through increased migration pressures, reorientation of foreign investment inflows, unfair competition, to say nothing of unpredictable socio-political upheavals. Another fruitful area of cooperation and future integration are the possibilities of joint scientific research and active Western participation in conversion programmes.

Moreover, because of the disintegration of the former Soviet Union, Russia has suddenly become a semi-land-locked country. Hence the special importance for her of the creation of a single European economic space with a minimum of transport and trade barriers. More broadly speaking Russia because of her new situation is now much more interested in a viable and efficient system of regulating international economic relations than she was previously.





# EUI

## Jean Monnet Chair Papers

EUI Jean Monnet Chair Papers are published and distributed by the  
European University Institute, Florence

Copies can be obtained free of charge  
– depending on the availability of stocks – from:

The Publications Officer  
European University Institute  
Badia Fiesolana  
I-50016 San Domenico di Fiesole (FI)  
Italy

**Please use order form overleaf**

# Publications of the European University Institute

To The Publications Officer  
European University Institute  
Badia Fiesolana  
I-50016 San Domenico di Fiesole (FI)  
Italy

From Name .....  
Address .....  
.....  
.....  
.....

- Please send me a complete list of EUI Jean Monnet Chair Papers
- Please send me a complete list of EUI book publications
- Please send me the EUI brochure Academic Year 1993/94
- Please send me the EUI Working Papers

Please send me the following EUI Working Paper(s):

No, Author .....  
*Title:* .....  
No, Author .....  
*Title:* .....  
No, Author .....  
*Title:* .....  
No, Author .....  
*Title:* .....

Date .....

Signature .....



# Jean Monnet Chair Papers

CHRISTOPH BERTRAM/Sir  
JULIAN BULLARD/  
LORD COCKFIELD/ Sir DAVID  
HANNAY/MICHAEL PALMER  
Power and Plenty? From the  
Internal Market to Political and  
Security Cooperation in Europe,  
April 1991, pp. 73

ROBERT GILPIN  
The Transformation of the  
International Political Economy,  
April 1991, pp.27

EDMOND MALINVAUD  
Macroeconomic Research and  
European Policy Formation  
April 1991, pp. 58

SERGIO ROMANO  
Soviet Policy and Europe Since  
Gorbachev,  
April 1991, pp. 25

BERNT VON STADEN  
The Politics of European  
Integration, April 1991, pp. 33

HELGA HAFTENDORN  
European Security Cooperation  
and the Atlantic Alliance,  
July 1991, pp. 42

THOMAS ANDERSON/STAFFAN  
BURENSTAM LINDER  
Europe and the East Asian  
Agenda,  
October 1991, pp. 87

ROGER G. NOLL  
The Economics and Politics of  
Deregulation,  
October 1991, pp. 89

ROBERT TRIFFIN  
IMS International Monetary  
System - or Scandal?,  
March 1992, pp. 49

EGON BAHR  
From Western Europe to Europe,  
June 1992, pp. 42

HELGE HVEEM  
The European Economic Area  
and the Nordic Countries - End  
Station or Transition to EC  
Membership?  
June 1992, pp. 21

ERIC STEIN  
Post-communist Constitution-  
making: Confessions of a  
Comparatist (Part I)  
August 1992, pp. 63

CAROLE FINK  
1922/23 From Illusion to  
Disillusion  
October 1992, pp. 19

LOUIS H. ORZACK  
International Authority and  
Professions  
The State Beyond The Nation-  
State  
November 1992, pp. 47

**VLADIMIR M. KOLLONTAI**  
**Economic Reform in Russia**  
**November 1992, pp. 43**



