

1986

# What Will Gorbachev Do?

Alec Nove

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## Citation of this paper:

Nove, Alec. "What Will Gorbachev Do?." Centre for the Study of International Economic Relations. Global Perspectives Lecture Series, 1986-01-G. London, ON: Department of Economics, University of Western Ontario (1986).

61238

ISSN 0831-7089  
ISBN 0-7714-0732-7

THE CENTRE FOR THE STUDY OF INTERNATIONAL ECONOMIC RELATIONS

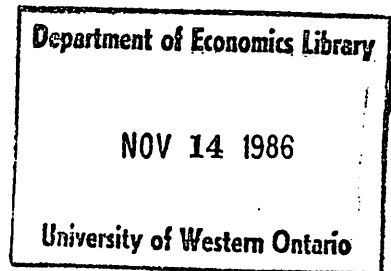
GLOBAL PERSPECTIVES LECTURE SERIES

1986-01-G

"WHAT WILL GORBACHEV DO?"

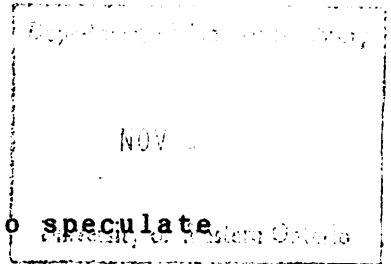
Alec Nove

November 19, 1985



This paper contains preliminary findings from research work still in progress and should not be quoted without prior approval of the author.

DEPARTMENT OF ECONOMICS  
THE UNIVERSITY OF WESTERN ONTARIO  
LONDON, CANADA  
N6A 5C2



Let me begin a talk which will end by trying to speculate about what the new Soviet leadership under Gorbachev might do with one brief story to illustrate a problem that we have in evaluating the present situation. It was in fact under his predecessor, Chernenko, that Marshal Ustinov invited, according to this story, Hannibal, Caesar and Napoleon to attend a military parade in Red Square. All three came and the weapons were duly shown them and their functions were explained to them and Hannibal said that if the Carthaginians had weapons like this in his time, the Romans would surely have been defeated in the Punic War. Caesar said that with weapons of this kind, had they been available in his time, the conquest of the world would have been a simple matter. And Napoleon was reading Pravda. Marshal Ustinov turned to Napoleon and said have you, your Majesty no comments? Yes, said Napoleon, I have. If we had newspapers like this in my time, nobody would know who had lost the Battle of Waterloo.

A number of quite important items which ought to serve as part of our estimates of the present situation are not known and we should never lose sight of the imperfection of our knowledge. Our estimate of the strengths and weaknesses of the Soviet economy is all the more complicated because there are clearly some elements of strength and certainly some elements of weakness; and, not only we as outsiders, but citizens of the Soviet Union too may give very different estimates as to the relative importance of strengths and weaknesses. And, after all,

I don't want to dwell on it because this is not my subject, but there are after all elements of weaknesses in other economies than theirs. We have, for example, a lot of unemployment and whatever their problems are, unemployment is not one of them. And unemployment, too, is a source of waste. They have other sources of waste, but let's not forget it.

It is sometimes believed, especially by some political scientists of my acquaintance, that all talk of serious economic reform in the Soviet Union is futile, it will not happen. The main object of Soviet political leadership, that also controls the economy, is to maximize, if that is the right word, the degree of control over people and resources exercised by the leaders of the party and state. The existing centralized system of party-state domination over the economy is from that standpoint optimal. Any major reform of the system would give rise to serious problems in maintaining that degree of control. Therefore, no serious reform can possibly happen, and anyone who thinks that it will is clearly an economist suffering from deformation professionnelle. As good political scientists know, what really matters is power.

I don't wish to deny, and I will return to this, that the problem of the power of the party in the state is indeed an important factor in evaluating the likely changes that may or may not occur in the Soviet Union, but clearly Gorbachev is (as were even one or two of his predecessors) sufficiently concerned about the malfunctioning of the system to produce a whole number of

statements suggesting that the view of these political scientists is all together too simple. Gorbachev, speaking in April last, produced a sentence which I think is worth quoting as a kind of rebuttal of the view that this is not a serious issue. He said, and I quote, "The future of Socialism in the world and the fate of our country depend in large part on how we tackle this task." And this task was putting the economy right. "The future of Socialism in the world" and "the fate of our country" are indeed phrases which also contain, of course, important political power aspects. But a country with a malfunctioning economy that fails to keep up with the technological needs of the modern world suffers also loss of power. Economic inefficiency is a source also of concern to any senior Soviet political figure responsible for the malfunctioning sector in the economy, because he might very well lose his position if it goes on malfunctioning. And so, even if one accepts, and to some extent one should, the view that they give very high priority indeed to the maintenance and strengthening of political power, putting the economy right matters.

Gorbachev has been stomping all over the Soviet Union repeatedly saying not only that it matters, but he answers arguments that it doesn't matter all that much, that we mustn't go in for the inconvenience and risks of major change. He says these arguments are false; that "we have to face the fact that major changes are necessary" and that these changes have to be

large scale and systematic if they are to work, because partial changes are inclined to be self-defeating. Which is so.

One cannot possibly say that the Soviet economy has not been reformed. Indeed, a very good article in one of the Green Books published by the U.S. Congress Economic Committee by Gertrude Schroeder, an excellent observer of the Soviet scene, has the name, "The Soviet Economy on a Treadmill of Reforms".

Continuously, in 1978, 1979, 1980, 1981, and still this year, reform after reform after reform is introduced into the system, so much so that the sheer number of these reforms is a source of confusion. The problem is not that they haven't been reforming the system. The problem is that the basic principles on which the system rests remain so far untouched. The basic principle established originally in the early 1930s is that it is the task of the planning organs to determine what requires to be done. It is their task to issue instructions in considerable detail as to who should do it, and it is their task to supply by a material allocation system the means of doing it. All the other changes (and these have been innumerable) of the details of the functioning of the system have yet to modify this basic principle which remains to this day. And the problem facing the Soviet economy could be summarized as different ways of looking at the problem of diseconomies of scale. There are, depending on who makes estimates, between 12 and 20 million different kinds of goods and services if you disaggregate them down to detail; like different sizes of different kinds of footwear or clothing, or

different kinds of agricultural machinery, different models of turret lathes, or different sizes and types of ballbearings, you name it. You might be surprised by "millions". Yes there are a thousand kinds of ball and roller bearings alone produced in the Soviet Union, and probably that many in Canada. And they don't all serve the same purpose or there wouldn't be a thousand different types. So there are millions of different goods and services. There are roughly 250,000 different enterprises providing, producing, building, distributing and transporting these various goods and services, all of which have to receive plans telling them what to do: financial plans, labor plans, output plans, delivery plans, material economy plans. Depending on which sector you are talking about, these plans might number, in respect of each enterprise, dozens or in some cases even hundreds. All of these have to issue from some part, at some level, of the planning mechanism, creating a gigantic problem of coordination in order to ensure some sort of coherent balance.

Academician Fedorenko is not my favourite Soviet economist, but I remember once, when I was too lazy to look up what he said, quoting him as saying that a fully balanced and coherent and disaggregated and etc. plan for next year would be ready in his opinion in 3,000 years time. I then looked up what he said and found I was quite wrong, he had said 30,000 years' time! Now clearly, I am well aware and so is Academician Fedorenko that next year's plan will be ready next year and not in 30,000 years time, but it will not in fact be disaggregated, it will not

be balanced, it will not be coherent, it will not be adequately checked, and it will be altered literally thousands of times in the course of the year in which it is supposed to be operating, since the task of drafting alternative versions and making sure that they balance is never and can never be completed in time with or without computers. They do have computers and they know how to use them. The basic problem is not that their generation of computers is a little out of date, which no doubt it is, the problem is that the task cannot be, of its very nature, carried out with economic efficiency, and this is the basic problem of which sub-problems are legion and I will quote a number of them. Why does this matter? Are these problems new? Well, no. If you go back 20-30 years or more, a lot of these problems existed then. I think several things have changed. One is that the challenge to the planning system has grown, so to speak, faster than the improvement in planning techniques. Both are happening at the same time. Simply, the economy is growing, it has become more sophisticated and it is increasingly difficult to base it on the traditional centralized methods which they have inherited. So the diseconomies of scale simply become more serious.

Secondly, the need for efficiency has become greater. There are several reasons for that. One is demographic. The further growth of the Soviet economy depends decisively on growth in labor productivity. You can't throw a lot of surplus labor at the problem to overcome it, you have to make the existing labor force more productive. Another reason is that previously labor



and resources could be extracted from agriculture and thrown into the industrial sector, and if you look at the growth of a number of countries, say France, since the war, you will find that one cause of this growth is the very large transfer of people from low-productivity agriculture into the urban industrial and services sectors. This was true also in the Soviet Union. It has ceased to be true; it has slowed down very, very much. The transfer of this labor is sometimes indeed in the reverse direction. Because of the inefficiency of the use of labor in agriculture, labor has to be mobilized from the towns to help bring in the harvest. So this is another reason why resources have become relatively scarcer than they were, even for priority sectors. If you add together the large investments made in agriculture, energy and the military sector, simply not enough is left for the rest of the economy unless resources are used much more efficiently. Mention of the military sector leads one also to say that there is another source of strain, which is the cost to the Soviet Union of the Arms race. Still another, and I have mentioned energy already, is the rapidly rising cost of getting energy and materials out of increasingly remote areas of Siberia. What they are doing in Siberia is important and valuable and can only be applauded from their point of view, but it is extremely expensive and represents a burden on the rest of the economy.

All this calls for greater efficiency and they repeatedly talk of it. They express this in a shorthand: turning a process

of extensive growth into intensive growth; not throwing more human and material resources in, but using human and material resources with greater efficiency, and by efficiency they mean increasingly what we mean by efficiency. The system generates unintentionally a whole variety of waste. But it functions. It's worth perhaps dwelling briefly on why it does function, because you might well say after my reference to 30,000 years and the impossible job of planning, how are they functioning? You may say: "You have just described a system that cannot function and it does. Something is wrong with your description." May I briefly answer the implied question that is in your mind. Yes it does work, for the following reasons. One, there are a number of sectors in the economy where the principle that the centre knows what needs to be done and can provide the resources to do it really does correspond with reality. One obvious sector of this sort is the armaments industry. The armaments industry everywhere produces what the centre decides it should produce, to instructions issued by the centre and detailed specifications decided by the centre. This is as true in the Pentagon as it is in Moscow's equivalent of the Pentagon. There is absolutely no reason why a Russian intercontinental ballistic missile should not threaten human life with exactly the same degree of efficiency as an American intercontinental ballistic missile. There is nothing in the system to prevent it. The quality of scientists and research establishments may be decisive, not the system. But let us also take energy. Energy

is a sector where in most countries management is centralized. Take electricity: in Britain and in many other countries electricity is produced on the basis of a highly centralized plan in which both investment and current production are directed from the centre. The centre, in fact, is the one place that knows, in Britain, in France, in many other countries, what the requirements of electricity in fact are. One power station director ought not to be deciding to produce or not produce electricity by reference to the profits of his power station. It would be chaotic if he did. Consequently, there are also sectors in the West, electricity is an obvious one, oil is another, where the necessary decisions are taken centrally by large bureaucratic organizations. Therefore in these sectors there is no particular reason why the system should malfunction. If it's both plannable and high priority, it functions reasonably well. A problem, of course, is that there are many other sectors, even those with high priority, which turn out not to be plannable. I'll name two: agriculture, very difficult to plan centrally, and the diffusion of technical progress, on which I shall have more to say; the centre is highly interested in the diffusion of technical progress but seldom knows exactly what technical progress actually requires to be introduced where, when and how. This results sometimes in comedy, such as a plan for the Ukraine that there shall be introduced in the next six months 4,862 innovations. If you think about the consequences of such a plan, you will appreciate its absurdity. Its very existence shows that

the Ukrainian authorities were in favour of innovation but hadn't the remotest idea what innovation they were in favour of, and how could they know?

So there are sectors of high priority which are not plannable and which malfunction, and this is a source of worry to the authorities.

Another reason why the system more or less works, that next year's plan can be ready next year, is because they do not start with tabula rasa, they do not start with a blank sheet of paper, they start with what was there before. This is the famous "planning from the achieved level" which is the subject of much criticism in the Soviet Union because of its unimaginative conservatism. Planning should be based on scientific consideration of possibilities. It is in fact based on the principle that whatever you did last year you will probably do the same this year. Wherever you got your supplies from last year you will probably get them from the same place this year. This enables you to work. It enables you even in the absence of a firm plan to do something. It's not very efficient, it's not very scientific, but it enables the planning system nonetheless to tick over. Because indeed mostly you will be doing this year more or less what you did last year. You know in advance that you will be asked to produce 2 percent more than last year, at 1 percent less cost per unit and if you used 1,000 tons of scarce metal you will be asked to use 995 tons of it this year because there is a economy drive, and so on. You know from experience

roughly what the plan will be, even if it arrives late, and mostly you get it right. Not very scientific, not very efficient. It works.

The third reason why the system functions is the multitude of informal links, many of them legal some of them illegal, by which people try and fill gaps. If you can't get the material to fulfill the plan, or you have some materials you can't get, then you try to do a barter deal with someone who has the material you want, while you have accumulated surplus stocks of another material the other person wants. Or you might indulge in petty bribery. In the end, through a variety of informal links of every conceivable kind--I scratch my back, you scratch yours--it helps to make the system function. But while it functions, it functions inefficiently in many important respects.

There are a number of reasons for this, almost all of them connected with the simple fact that the basic principles on which the model is built, which are that the centre knows precisely what is to be done and also the best way to do it, just happen not to correspond with reality. You have the necessity, since the centre must produce plans of some sort, of aggregation. That is, an enterprise must be told to produce 10,000 tons of something, or 100,000 units, 40 million rubles worth, and the product isn't usually a nice homogeneous commodity like electricity but a whole range of product-variants, since most enterprises are multiproduct enterprises. May I add that the typical western economics textbook never or hardly ever discusses multiproduct

enterprises. It is much simpler to do the analysis on the assumption that one firm produces one commodity. But of course, this isn't the case with us anymore than it is with them. But a plan of this sort for a non-homogeneous multiproduct firm induces all kinds of behaviour which nobody wants, not the planners, not the customers and of which the number of examples are innumerable.

Just to quote a few of these examples: if the plan is in tons, you will make whatever you make as heavy as possible. If you try and use a more lightweight and economic material, you are in trouble because your plan in tons is under threat. If you think that this is ridiculous, and why not switch from tons to some other measure, well the plan for window glass was in tons and so window glass was always thick and heavy. So the planners put on their thinking caps and said, we'll solve this one. The plan target became square meters, whereupon there was no thick window glass to be had at all, it was all thin. Of course sometimes you want thick and sometimes you want thin glass. This is precisely the kind of detail of which the central planners cannot be aware, and the plan for glass must be in some global figure.

Plans for road transport undertakings for trucks are in ton kilometers and you may say that is a very good measure. How better to measure the output of a road-trucking enterprise than by the number of tons carried multiplied by the distance you carry them, ton kilometers. Very good. But here comes into

operation a very interesting law, known as Goodhart's Law, which reads as follows: if anything is a plan or a target, it ceases to be a good measure. Ton kilometers illustrate it beautifully. Supposing you want to calculate all the quantity of transport by trucks in the province of Ontario. Ton kilometers is an excellent measure because it is neutral. It affects nobody's behaviour. You simply multiply the number of tons carried here by the number of kilometers and you have a good objective measure because it is neither a plan nor a target. But supposing it were a plan or a target, and managers of all trucking enterprises received bonuses for fulfilling such a plan and a reprimand for not fulfilling it. They would then systematically seek to avoid carrying anything that wasn't heavy, and any journey that was short would be avoided like the plague. You will therefore have instead of minimization of road transport to achieve a given result, the maximization of road transport to achieve a given result.

Similarly, plans for building work in the Soviet Union until recently, I think still until today, is in millions of rubles of work done. Therefore, if the price of any material goes up the effect is to increase demand for it because then the value of your work goes up correspondingly. Pravda published an article entitled "How Tons Defeated Meters", which is useful to illustrate the nature of the problem. It had to do with water pipes. A firm was making water pipes with heavy metal, steel, very wasteful, very heavy, very costly and the director of this

firm, a conscientious man said, look I've got some good light-weight material, half the price, half the cost, half the weight, and his bosses said no you can't do that because the plan, including the boss's plan, is in tons. But he persisted. He said, this is ridiculous. Being a good conscientious man finally he was listened to and finally the planning authorities decided to change the nature of the target from tons to meters, length of pipe. So he produced this pipe, which was half the cost, half the price, half the weight, and found that the building organizations refused to handle it unless specifically ordered to, on the grounds that it was cheaper and their plan was in rubles. This is the sort of thing which produces the comic situation referred to by many people, including Gorbachev, that statistics of labor productivity are in fact made on this kind of basis, so that if you proceed in a more economical manner and eliminate this kind of waste, you "reduce" labor productivity and the growth of output as these are conventionally measured. But then how should you plan the output of these things?

Imbalances are a constant source of complaint; imbalances in the sense that different parts of the plan of a product necessarily are different from branches of the planning system and the task of coordination becomes overwhelmingly difficult; imbalances also at the level of the enterprise, that parts of the plans they receive are incoherent in the sense that you can't fulfill them all because they are internally inconsistent, because they issue from different places. Thus you have an



output plan from your immediate hierarchical superiors but to produce the output you need let us say 10 materials, each of which is allocated by 10 different branches of the planning system and it would be miraculous if all this, especially after repeated amendment, in fact proved to be coherent and consistent. Complaints about output plans not backed by the appropriate supplies are repeated and continuous.

The efforts to combat waste sometimes also produce minor comedy. I'll only quote one more example, another Pravda article, "Waste in the Name of Economy". What was the problem? The planners knew that there is this tendency to inflate cost in order to fulfill output plans in rubles, to use heavy materials, too much metal, in order to fulfill plans in tons and also to hoard labor. It is always useful to hoard labor; after all, the wages are not paid by you, the manager, they are paid by the state and then you have a reserve of labor to meet contingencies. So to cope with that they introduced compulsory plans for economy every year in the labor used, in the metal used, and also in cost of production. So, to quote from Pravda, in designing a new machine, the designers are under strict instructions to incorporate in the original design the greatest possible waste of manpower, metal, and cost, in order then to receive bonuses in subsequent years for reductions in manpower, cost and metal. If they originally designed the machine as economical in manpower, cost and metal, they would fail to fulfill these plans, and then of course they will be in trouble.

By trouble, I don't mean salt mines, but--no bonuses and promotion prospects are adversely affected. Anyway, waste therefore is engendered by plan targets designed to combat waste. This is not quite the way to do it. And of course if you think in these terms about centrally imposed targets for technical progress you can see what the problems are. In an article also in Pravda, by Aganbegyan, an influential and intelligent economist, he said that if you plan technical progress by rewarding people for introducing new techniques without simultaneously ensuring that the new technique is economical in use, you may in fact be subsidizing waste. He gave an example, robots. Robots is a new technique. Robotization is seen as good. ("What we want is more and better robots, comrades.") If you introduce robots, you then receive a bonus for introducing a new technique. The fact that the robots frequently break down, the fact that the robots are too costly, the fact that they do not in fact economize much labor at all because you need the labor to keep them going, is not taken into consideration. It is very difficult in other words to imagine how one plans technical progress within such a system.

Now as I say, all this is perfectly well known to Gorbachev and he is saying that the system is wasteful, the system is not efficient. It is not about to fall apart, it's not in a state of collapse, but it must nonetheless be reformed and operate better. Plans have been published, which are also incorporated in the new party programme, to speed up technical

progress and to achieve a doubling of the national income and indeed of living standards by the end of the century, which if you work it out represents a growth rate of about 4.5 percent per annum compound. In recent years, if you allow for statistical inflation which is undoubtedly present in the official figures which hover around 3 percent per annum, it is somewhere between 2 and 2.5 percent. In other words, the plans they are now publishing require them in effect almost to double their existing growth rates and Gorbachev would be the first to say that without a major change in methods of planning, this target would be utterly and totally out of reach.

What then can be done? What can possibly be done? Nothing in my opinion can be described as a fundamental reform which doesn't tackle the basic question of the criteria of operation of enterprises which at present are working for plan fulfillment statistics. There was a very good article in Pravda by one manager who said, instead of working for the customer we work for the plan fulfillment statistics. Of course, the plan target, the Zadaniye, ought to incorporate the needs of the customer but cannot, because again of the problem of disaggregation.

I will illustrate it with one point which at first sight sounds merely silly but is absolutely correct. It was solemnly stated in print that the same enterprise in the same year in respect of the same products received a bonus for fulfilling their delivery plans punctually and paid fines for non observance of delivery contracts. How is this possible? The answer is

simple. The plan they must fulfill is the one imposed from above and this is aggregated. Thus, say it is a footwear firm, the plan will order them to deliver within a particular period to specified customers, let us say 4 million pairs of footwear. This plan they fulfilled. The detailed contract with the customers would say: so many high heels, so many women's shoes of such sizes, so many children's and so on. This they did not fulfill. These details do not (can not) figure in the plan that is imposed from above. Instead of the output plan, in other words, being the sum total of the customers' requirements, the aggregated plan imposed from above is substituted for the customers' requirements. They can be identical by only coincidence. The only possible solution: the current plan of most enterprises most of the time shall be the sum total of the requirements of their customers. That is the basis of the reform adopted in 1968 in Hungary. It doesn't work too well in practice but at least the principles are correct. It is the basis of the reform adopted last October in China. It is the basis of the reform adopted by 1981, but not functioning in Poland, and it is the basis of the reform proposals of a number of intelligent Soviet economists and has been for a number of years. What it amounts to is that the central planners cease to issue detailed instructions about what to produce and that most enterprises most of the time purchase, not have allocated to them but freely purchase, the material inputs, the materials, the machines, etc. that they require in order to produce.

This can be called and some people do call this some kind of market socialism, but the word market is for many people, including some Western dogmatic Marxists, a red rag to the bull. In Russia the reformers do not call this a socialist market, but they do in fact propose something which nonetheless is based on this principle.

A reform of this sort: could it be introduced in the Soviet Union? Does Gorbachev wish to introduce it, and even if he does, can he? What are the obstacles to its introduction?

An interesting article was written by the Soviet Union's one eminent woman economist, Zaslavskaya which was then leaked to the West. A number of people received copies, including me, and it has been translated and circulated. When it was leaked to the West it was thought that Zaslavskaya would suffer some sort of penalty, but not at all. She has since published several articles which were published in the Soviet Union restating many of the same arguments.

She asserts first of all that the system, created 50 years ago in a very different situation, is now obsolete. In Marxist terms it now is a kind of hindrance to the development of forces of production, which have entered into contradiction with the relations of production. These are obsolete, no longer in conformity with the requirements of what they call mature socialism. Major changes are necessary. Gorbachev says this too. But major changes in this direction, or indeed major changes in any direction, encounter a number of obstacles which

she tries to analyse, and is the first person to my knowledge to try on paper to analyse them fairly systematically.

Obstacle one, ideology. Yes, the limited use of monetary mechanisms and even of markets is more or less in line with orthodoxy, but the whole notion of planning as, so to speak, the fundamental substitute for the market, that the development of socialism requires the replacement of the market by conscious planning is strongly entrenched in the Marxist socialist tradition. Competition which goes with markets is not well regarded.

She also stresses another aspect of ideology: the view that there are no contradictions in Soviet society prevents the regime and the would-be reformers from seeing that any major change gravely affects vested interests of different groups in different ways and that, unless it can be seen that there will be resistance to any major change which adversely affects important and influential groups in society, no coherent reform programme can even be drafted. Of course there she is quite right. And so she, who is a sociologist as well as an economist, urges that much attention be paid as to which groups in society, in the bureaucracy, in the party, among ordinary people, will think they are harmed and who might benefit from reform, and what can be done on the basis of such an analysis. Vested interest of course brings one straightaway to the point: a form of automatically functioning market mechanism for a multitude of officials who earn their living replacing the market mechanism really does present something of a challenge to these people; it deprives

many of them of jobs and influence and they might very well object.

I once saw on the stage in Moscow a sketch in which a well-known Russian comedian went on stage rubbing his hands and saying: "Shortages comrades are what we want. Shortages made me who I am." Of course he allocates something administratively that is in short supply. "As a result of my position and as a result of shortages I am a person of influence in society, people bring me cases of cognac, people treat me with respect. What would happen comrades if there were no shortages? I would be as insignificant as any bloody engineer. What we want comrades is shortages."

At various levels there are a large number of officials whose job it is, so to speak, to replace the invisible hand by the visible hand, their hand. Some would undoubtedly resist change.

Zaslavskaya is quite right here. There are some people in the hierarchy itself, and among management, who might gain, but 50 years of centralization of the economy has produced an insufficient number of managers who are able and willing to stand on their own feet. This brings one to the third objection to this kind of reform: far too few people are able coherently to draft such reform, but even if it is coherently drafted, are there people who will be able to carry it out? Might there not be an initial period of confusion as all the old habits, including the informal links that I have been talking about, are

disrupted and numerous dogs have to learn numerous new tricks? This I feel is a genuine fear and indeed is a problem which is complicated by two other factors, one of which Zaslavskaya doesn't mention and one she does. The one she doesn't mention is the consequences of the arms race and the effect on the economy, on shortages and on priorities of the diversion of more resources to the totally unproductive military sector. The more it is a cause of strain, the more difficult it is to incorporate into any new system the sort of decentralization which would lessen the grip of the centre over the allocation of resources in the economy. Some people say that the more intelligent military are in favour of the reform in the long run because it would improve Soviet technology and this would have effects also on military technology. But in the short run there are pervasive shortages in the Soviet system at all levels and in all spheres. These shortages require the allocation system to continue, and of course the military in particular benefit from the high priority of the military sector.

The other difficulty, which she does mention and Gorbachev mentions it too, is that partial reforms are self-defeating. Partial reforms, bit-by-bit reforms, introduce illogicalities into the system which are then rejected by it the way in which a transplant is rejected by the human body.

There is a story told in a number of east European capitals. I will tell it the way it was told to me in Prague many years ago. At first sight nothing to do with our subject.



The Czechs sent a delegation to Britain, to London, to inquire into the flow of traffic in London to see if there was anything to be learned from the London traffic control system that might be applied in Prague. The delegation returned in due course to say: we have studied it all its aspects, and there is really only one important difference between the two countries and the two traffic control systems. Traffic in London keeps on the left and in Prague on the right. And so after a mature consideration it was decided that for an experimental period one third of the traffic in Prague should keep on the left. That is an economic reform story which highlights the problem.

What then will or can Gorbachev actually do? Suppose, and this seems realistic, he is an intelligent man, he knows what is wrong much better than we do, and would probably go along with most of the criticisms that I have been uttering. These are all known deficiencies frequently commented on in the Soviet press and in speeches by the leadership which they want to put right. No doubt about that.

Can he reasonably be expected to adopt the kind of reform programme implied by the memorandum written by Zaslavskaya implied also by the ideas of a number of her colleagues in the economics institute of the Siberian academy at Novosibirsk and who are certainly able and intelligent people? Gorbachev knows not only that many things are wrong, he knows that here is at least a potentially coherent set of proposals to put them right.

So what has he actually said he is going to do? Here alas one has to admit that he's said extremely little. What he has said essentially is that much is wrong, and must be put right. If it is not put right, they will be sadly remiss and failing in their duties. What must be done must be large scale and systematic. And then? And then silence. We have the campaign against drink. Well let's freely admit that a worker lying flat on his back who is drunk is not very productive. So there is a campaign against vodka and it is said, and I quote a Russian female visitor: "Half the population support him--the women."

If the United States is going to be serious about arms negotiations one waits to see who will replace Weinberger and Perle. In the Soviet Union if they are going to be serious about economic reform they had better replace the controller of prices, a comrade called Glushkov and a hopeless conservative who considers the very notion of prices balancing supply and demand as ideologically unacceptable and non-Marxist. I am waiting to see if he will go because unless there is a major change in the price system, reform of this sort is out of the question.

So we are left with a whole series of question marks. I simply have at this time no idea what to forecast. The probabilities are that Gorbachev will do a good deal less than some people imagine and hope, but we may well be in for surprises, and all we have to do is to watch what happens in February.

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1986-01-G Nove, Alec. WHAT WILL GORBACHEV DO?

1986-02-G

1986-03-G Tobin, James. REAGANOMICS AFTER FIVE YEARS.