

ECONOMIC AND POLITICAL PERESTROIKA

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The restructuring (perestroika) now under way in the USSR involves designs for change so profound that it can be called a true revolution. This restructuring comprises radical alterations in every aspect of society. But, as with any revolution, all the various changes, taken together, amount to a radical overhaul of the structures of power and property, and consequently of politics and economics. Reform of the power structure, after all, always means change in the political sphere, and property reform implies deep change in the economic sphere. The change in politics and economics in the course of perestroika is meant to transfer power and property to the people, to make every citizen a true master of his life, and to secure him the protection of the rule of law.

Economics and Politics

Economic and political perestroika are interrelated. This relationship reflects the close links between power and property. Objectively, genetically, power stems from ownership. Those who own property have power. The relationship between economics and politics is the same. Economics is the basis of politics. That is the picture we get if we consider the question from a developmental, epistemological point of view. But in real life, there is also a reverse connection. Power and politics have an impact on property and economics, defining their nature and their development. Those in power use their power to dominate the economy, to take it over as property. Politics has a strong influence on the economy in any society and at any time, but especially in the political system that has taken shape in the Soviet Union. It is important to take this into account in order to understand the problems and difficulties of today's restructuring.

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Under the authoritarian regime that prevailed in the USSR, politics always took precedence over economics. Political democratization defines the limits of the democratization of economic life. This is confirmed by the entire course of the development of the Soviet economy over 73 years, by its cyclical patterns. In the pre-Stalin period, the country's politics were relatively democratic—and this allowed for a corresponding democracy in the economic system: multiple forms of ownership and widespread economic self-sufficiency combined with incentives and accountability. The development of Stalin's authoritarian regime in the political sphere became incompatible with democratic principles in the economy. Economic pluralism and autonomy made workers independent and difficult to order about. Democracy in economics was interfering with the development of an authoritarian regime in the country. That is why the economy, along with politics, was made over into a command model.

In the years that followed, a certain cyclical pattern of economic development was clearly shaped by political changes. In the first five years of Nikita S. Khrushchev's rule, between 1953 and 1958, the economy moved forward; the effect was truly explosive. Then it began to decline. The same was repeated under Leonid I. Brezhnev: in the first five years (the 1966–70 five-year plan), the economy went through a period of growth; in the early 1970s, it was all downhill.

Why did such cycles occur? Why did the growth phase last for about five years in each case, while the decline phase lasted indefinitely? The cause of this pattern was rooted in politics, in the replacement of the top political leader and change in the structure of his power. A new leader needs time to establish his authoritarian rule. A relatively democratic, collective leadership style is established in politics. This opens some breathing space for economic democratization (relative freedom of decisionmaking, incentives, and so on). However, the country did not have an institutionalized legal mechanism to protect democratization. In such conditions, a term of about five years was enough for a leader to crush everyone under his weight and establish his authoritarian power. The establishment of such a political structure could not tolerate democracy in the economy. Democratic principles in economic life were consistently stifled—and, inevitably, the economy went downhill. The downward curve of the economic cycle continued not just for five years but until the replacement of the country's top politician.

The Slow Pace of Reform

It is not out of intellectual curiosity that I am delving into recent history. Without such an analysis, it is difficult to understand the

problems and complications of change in the economic and political systems, of the democratization of society and the development of the rule of law. The correlation between economics and politics that existed on the eve of the current revolution is having an effect on their transformation in the course of perestroika. In both spheres, reforms are proceeding slowly; no radical changes have taken place. That is why we have yet to see the transformation we expected in the domestic life of our country—despite radical change in the foreign policy of our leadership. An evident gap has developed between radicalism in foreign policy and slow rate of change in domestic life, economic and political. This blatant contradiction has a logical basis. Radical change in foreign policy can be implemented, for some length of time, without fundamental change in power and property structures. However, a cardinal transformation in domestic life, in domestic politics and economics, inevitably means change in the structures of power and property. Yet we know from history that there has never been a revolution in which the ruling elite voluntarily conceded its power and property; it has always held on to them. Our experience is a stark example of this. Glasnost has been the principal domestic manifestation of perestroika, yet even glasnost, in many ways, is measured out in doses. In other areas, there is little radicalism, which is why living conditions have not only failed to improve but have actually deteriorated, threatening the peaceful course of our revolution.

The cause, in my opinion, lies in the same relationship between politics and economics that existed prior to perestroika, and in the inertia and conservatism of the main link in this relationship: the political system. Even in the course of perestroika, politics continue to dominate the economy. The slow pace of political change has held back economic change as well. Such a conclusion may seem all the more startling considering the conventional wisdom on this issue. Many, including some leaders, believe that economic change is supposedly lagging behind political reform. That is said to be the cause of our present trouble, but that view is far from indisputable.

Dominance of the Communist Party

Political change has affected, as previously noted, mainly glasnost (freedom of expression). As for the substance of the political system, there was only some patchwork. The core of the political system, its pivot, is the Communist party with its *apparat*, with its monopoly on power. And this, until quite recently, remained not just essentially but even formally unchanged. Only the elections to the federal parlia-

ment in the spring of 1989 gave something of a jolt to the party's power. The upper echelons of the party were not ready for it. That election and the First Congress of People's Deputies of the USSR essentially started the process of the transfer of power from the party to bodies of democratic power. This process received a boost from the elections of republican and local councils (Soviets) of people's deputies.

However, this is mostly a process of formal transfer of power. On the other hand, real power—even after the new Soviets were formed—remained in the hands of party agencies. Moreover, the politicization and development of democratic power, like scientific and technological progress, proceeds at a different pace in different areas of the country. Moscow, Leningrad, Kuzbass and some other regions are ahead. They are showing us the way of the future, blazing the trail of democracy for other regions too. Here, the process of the transfer of power from the party to democratic bodies has come a long way. Yet on the whole, even now, real power in most regions still belongs to the party agencies.

The party agencies in power have been consistently, throughout the period of perestroika, demonstrating their desire to hold on to power. Thus they have been the main barrier to perestroika, holding back the democratization process as best they can. It would seem that, since they proclaim themselves to be the vanguard of society, they should have been in the front ranks of its democratization. On the contrary, however, they have stifled radical proposals and demands coming from the popular democratic movement, which has taken deep root. This anti-reform mentality applies to all issues, including the abolition of Article 6 of the Constitution, the acceptance of a multiparty system, and the occupation of leading posts in party and state bodies by the same person. The party has resisted every innovation. And if it does take some steps, it is always out of necessity and under public pressure.

While publicly endorsing the transfer of power to the Soviets, the party establishment has been, in effect, taking over the Soviets of people's deputies. Virtually everywhere, leadership posts have been merged, the secretary of the Regional Party Committee also taking the job of chairman of the local legislature. The 28th Congress of the CPSU and the Congress of the Communist Party of Russia have demonstrated the Party's conservatism, its inability to pursue radical change in a democratic direction. And since the Communist party is still a ruling party with monopolistic power, its conservatism is holding back economic and political reform.

Ownership and Control

Radical economic change is inextricably linked with radical change in ownership—a change that would deprive the current political system of its base and undermine the power of the party. That is why, in all the years of perestroika, there has been no radical economic reform, just partial modification.

The specific directions of economic reform have varied. Generally, the changes have consisted in proclaiming policies meant to expand autonomy and worker participation in management, and to encourage a sense of control. The fact that all of this boils down to slogans and declarations reflects the nature of the changes: keeping the essence of the administrative command system while fixing it up a little. Indeed, there never was a question of letting the collective, the workers of an enterprise, take control and manage their affairs freely and autonomously. These plans had a different bent: to allow workers merely to participate in management, to have a sense of control as opposed to actual control. Logically, such an approach implied that there was no intention of turning workers into owners.

The basic and obvious fact is that only an owner can have true control. Under the system of state ownership that has developed in this country, workers have been essentially alienated from and deprived of property. Property was under the absolute control of the party and state *apparat*. And this *apparat* has tried, through the years of perestroika, to keep its economic base of state ownership intact. Proposed economic changes dealt only with particulars; in essence, they did not affect ownership. This became all too clear during the work on proposed legislation, especially legislation on property and land. The legislation that was ultimately passed did not reflect the radical proposals for the restructuring of property ownership, including recognition of private property. The dominance of ideology over economic policies stood in the way. The lack of positive economic results is a natural outcome.

Radical Political and Economic Change

Today, we have entered a stage when the fate of perestroika itself is at issue. To save it, we need radical political and economic change.

Political Reform

With regard to political reform, it is especially important to (a) establish a genuine multiparty system, (b) separate the functions of party and state structures, and (c) establish democracy and a rule of law.

True democracy is impossible without a multiparty system. A multiparty system has now been recognized—but, so far, the recognition remains in many respects a mere formality. The emerging parties lack the prerequisites needed to establish a solid base and to assert themselves. The forces of the democratic left lack unity. An important task is to unite them into a democratic movement that could become a real social and political force—one that could compete with the CPSU and propel the CPSU toward either radical democratic self-transformation or withdrawal from the political arena.

The genuine self-assertion of other parties will also lead to a separation of functions between party and state bodies. In this respect, it is vital to put an end to the current practice of one person combining leadership posts in the local party structure and in the local government. The resolution of the Russian Parliament banning such practices within the Russian Republic is an important step forward. So far, this legislative decision has been sabotaged in most regions by the party *apparatus*. In some areas, party bosses have left their Regional Party Committee posts and begun to work as chairmen of the local soviets of people's deputies. Clearly, it is unlikely that these people with their party training will work to establish democratic power.

The new soviets of people's deputies are going through a difficult stage in their development. Many deputies have no political experience, which has an adverse impact on the effectiveness of the Soviets' work. We should take into account the fact that in many cases, the local party machine does all it can to discredit the new power in the eyes of the voters, to shift the blame for the current hardships from themselves to these new elected bodies.

The goals of strengthening democratic power and establishing the rule of law pose before us the task of streamlining our current system of government. Today, our system is very complicated, and it is difficult to separate the functions of various levels of government. The introduction of the presidency and the creation of the presidential council has further complicated things a great deal. This council is being expanded in size, yet it is unelected and is not accountable to the parliament. It is difficult to understand the separation between its functions and those of the cabinet. The roles of the cabinet and the Supreme Soviet alike have been reduced. This complicates the already difficult process of democratization.

A radical yet at the same time cautious approach is needed in solving the problems of political structure. Here, conservatism has flourished more than anywhere else. The political structure had remained unchanged since 1922. Since the first years of perestroika, democratization has also spread to this sphere. Union republics have

demanded greater autonomy and a new Union treaty. The central party structures, as usual, took a conservative stance. This position of the center propelled the republics toward sometimes ill-advised independent decisions. Nearly every republic in the Union has adopted a declaration of sovereign statehood. Similar decisions are being made by autonomous republics. A new image of the Union is taking shape—as a confederation rather than a federation. Today, the positions of the republics are being smoothed out and coordinated with the central authorities in order to prepare for a new Union treaty.

Radical Economic Reform

Improvements in the political system, in the directions indicated, must be accompanied, without further delay, by radical economic reform. Today, there is heated debate on these questions, related to the proclaimed transition to the market economy. This is a complex process. Let us single out some of the most topical problems.

First of all, there must be a change in property ownership. Property must be denationalized and a number of enterprises transferred to private, collective, or joint-stock ownership. This change will truly make possible the multiple forms of ownership that have been recognized as proper for our economy. The problem of ownership exists in every branch of industry, but it is especially important in the agrarian sector. To help farms and peasant cooperatives get on their feet, it is appropriate to introduce private and collective ownership of land. The development of new forms of management must be facilitated in every possible way.

The transformation of property ownership will allow the existing potential to be used more effectively, stopping the decline in the population's living standards. A great deal can be accomplished, too, by improving structural policies—specifically, the structures of exports and imports, the former consisting primarily of raw materials and the latter of foodstuffs. Annual food purchases amount to about 21 billion dollars—yet, at the same time, we lose much more of our own output than we buy. The investment complex, with about 400 billion rubles tied up in it, is wasteful and inefficient.

The use of these and other reserves will allow us to make the transition to the market without sacrifice on the part of the population, without a drop in its living standards. On the other hand, the program presented by the government to the Supreme Soviet emphasized an across-the-board increase in consumer prices and a decline in living standards. Surely, this last straw would have heightened social tensions and created an explosive situation.

The transition to the market requires a thoughtful approach to the question of government regulation. An academic approach is unacceptable here; real life must be taken into account. We have a staggering budget deficit and an extremely unbalanced economy. That is exacerbated by the effects of organized sabotage. There is no fine-tuned system of direct communication between enterprises. The ruble is not working; free operations (outside compulsory state contracts) are usually based on barter. If, in such conditions, state contracts are rejected or their share in the economy drastically reduced, this will lead to a breakdown in communications, to even greater imbalances and a sharp drop in output in many spheres. That is why it is necessary to retain well-considered government regulation, loosening it as the economy improves.

Conclusion

One may say that perestroika in our country has entered a critical stage. The conservatism and inertia shown by the leadership in the first four to five years made it impossible to achieve radical change in the economy or in the political system. That is why the radical breakup of the old system today is not always proceeding in a balanced manner and sometimes takes explosive forms. That is why we so urgently need a reasoned, balanced approach to solving the intertwined problems of political, economic, and government reform. Otherwise, our revolution will be thrown off its peaceful course and may assume other forms. It is our common task to prevent this from happening.

INSULATING ECONOMICS FROM POLITICS: TOWARD A CONSTITUTION OF LIBERTY

James A. Dorn

You cannot change the form of property without changing the form of power. . . . [I]n Communist countries the economy, in the final analysis, is the means of politics. The economy is ruled and controlled by politics. You must change the political system first, because it is a tyrannical regime without respect for laws.

—Milovan Djilas¹

Some Basic Questions

Can economic life be insulated from political life? And, if so, why has this separation not occurred in the Soviet Union, or even fully in the United States? To address these questions, one must first define “economic life” and then consider how it can be insulated from political life.

For our purposes, economic life can be thought of as the process of making choices in a world of scarcity where some form of competition takes place to determine “who gets what.” The problem of economic life, in essence, is a problem of pricing and property (Alchian 1967, p. 6). Consequently, the answer to the question of whether economic life can be insulated from political life hinges on the question of whether pricing and property can be insulated from politics, or more specifically, whether constitutional constraints can be implemented and maintained to limit the range of political action as it affects economic liberties. These questions were fundamental to the 18th-century American Revolution and are at the heart of the liberal revolution that is sweeping Eastern and Central Europe as well as the Soviet Union.

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¹Cited in Hornik (1990, p. 18).