

Economics and Politics

EDITORS' NOTE: In the September-October 1965 issue of this journal, we presented two articles dealing with the "New Economic Model" in Czechoslovakia ("Out of Stalinism," by Harry G. Shaffer; and "Problems and Prospects," by Vaclav Holesovsky). Mr. Tatu's background report on the first steps towards a reform of economic management in the USSR, offered below, follows up these articles as part of a comprehensive series on economic transformations in both the Soviet Union and Eastern Europe. Future issues will present articles on economic reforms in East Germany, Bulgaria, Hungary and Poland. In particular, the series will focus attention on the political implications of the various economic changes, not only within each country but also for the Communist bloc as a whole.

Soviet Reforms: The Debate Goes On

By Michel Tatu

At the end of September 1965, the CPSU Central Committee approved a reform in economic management which had been debated in the Soviet Union for close to three years. No

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one, not even in Moscow, would pretend that the measures adopted in the reform represent a definitive solution to the problems of the Soviet industrial establishment: rather, they reflect an effort to do what was possible or desirable under the political circumstances of the moment. The Central Committee decision is thus the product of a compromise; yet, to appreciate the importance of the new reform, it is necessary to place it in proper context and to reexamine the great debate that preceded its adoption.

There had long been general agreement that "something had to be done" in order to remedy the serious administrative difficulties which had afflicted the Soviet economy ever since the 1930's. At the same time, however, whenever the question of serious reform had arisen, two sources of conservative opposition to any effort at reform had immediately become apparent: one obstacle was the economic administrators themselves; the other sprang from the special relationship between the latter and the Communist Party.

The men who run the Soviet economy have traditionally been divided between those who favor centralized management and administrative planning and those who advocate increased responsibility and autonomy at the enterprise level. This formula simplifies the terms of the debate, but it refers only to broad principles. For the economic planners in Moscow, however, the question was not just one of renouncing certain important positions—the reform of 1957 had already changed a great many things in this respect—but of giving up methods bequeathed by a quarter century of Stalinist administration. In any case, any move to replace the relatively simple administrative procedures of a command economy with the infinitely less "dependable" indirect levers of the market system (prices, interest, profits) is bound to be a long drawn-out process.

Some more strictly political aspects of economic management have also hindered change. For example, one of the prerequisites of a more efficient planning system in the USSR is a rationalization of industrial prices—an extremely difficult task not only because of its complexity but also because it inevitably calls into question such well-established priorities as the preferential treatment accorded to heavy metallurgy, machine-building and coal production.

The serious obstacles to the reform became readily apparent during the debate provoked in the fall of 1962 by the theses of Professor Ye. Liberman. Even when the discussion remained restricted to economic circles (as was the case with the debate launched toward the end of October 1962 by *Ekonomicheskaya gazeta*), the arguments of the centralizers—mainly representatives of the large economic agencies of the state as well as certain economists—seemed to

prevail. The more liberal tendencies were displayed by a minority of until then relatively unknown economists, a few professors from Moscow and the provinces, and several enterprise managers; and even these—suffering from a complete lack of experience in planning under market conditions and believing that significant progress in that direction could not be expected anyway—were really more concerned with simplifying the existing bureaucratic tutelage rather than liquidating it completely. In this sense, the return to ministerial responsibility in national economic management could hardly be expected to displease anyone.

The attitude of the top planners has been more variegated. Thus, ever since the end of 1964, Premier Kosygin has given the impression of lending an attentive ear to the suggestions of the younger economists, while carefully assuring everyone that he supported centralized planning. He has favored the natural tendency of Gosplan to maintain maximum control over industry, but unlike the planning agency, he has also been critical of the methods of management practiced under the Soviet command system. Centralized but rationalized management, depending more strictly on the laws of the market, seems to have been his objective. Furthermore, having long advocated an expansion of the consumer goods industries, Kosygin has fewer reservations than others about reforming the price system. In his speech of March 19, 1965, he showed himself quite strict vis-à-vis his questioners, very hostile towards all dogmatism, but at the same time uncommitted on the subject of enterprise autonomy.¹ Nevertheless, his clear support (expressed earlier at the December 1964 session of the Supreme Soviet) of a system of direct links between enterprises, even in heavy industry, represented a significant blow to the administrative totalitarianism of the planners of the old school.

The resistance to the reform emanating from the party requires a more complex analysis. In principle, the party functionaries are not directly concerned with the dispute, while in fact they busily propagate the slogan "initiative from below." Also, they can afford to be less "centralist" than the top planners in Moscow since a certain degree of local autonomy enables the regional party apparatus to exercise closer

¹ *Planovoe khoziaistvo* (Moscow), No. 4, 1965.

control over the economy; only thus can one explain the support for the sovnarkhozes expressed as late as December 1964 by such regional officials as G. I. Popov, the Leningrad party secretary, and N. G. Yegorychev, his counterpart in Moscow.² They are, however, determined not to allow the *khosiaistvenniki* (economic managers) to take upon themselves the role of leaders. This preoccupation is apparent at all levels of the party apparatus.

The problem, in its essence, is the question of the extent to which the party functionaries should become involved in the practical affairs (*konkretnost*) of Soviet economic life. Theoretically, the problem does not exist: the party does not inject itself into the work of the economic cadres, it merely lends its "assistance"; it does not give orders, only "recommendations"; it does not impose personnel changes, it merely "proposes" them. But if one remembers that precisely the same formulas presumably govern

the role of the party in other domains of public life from politics to literature, one soon realizes that in practice these subtle distinctions are of little effect.

An effort has thus been made recently to define more closely the desirable equilibrium. In contrast to Khrushchevian practice, which had pushed the confusion of powers almost to the point of a complete takeover of economic functions by the party, one now encounters denunciations of attempts by party authorities to encroach upon the work of economic organs (*podmena*) or engage in "detailed supervision" (*malochnaia opeka*)—terms with which the Soviet public has been familiar for many years. Along with these exhortations, however, the press continues to reassert the old nostrums of Soviet management policy, which inevitably lead to the very excesses that are being so assiduously denounced. A striking example of this occurred last year. On January 4, 1965, *Pravda* gleefully announced that kolkhozes had been given the authority to determine their own sowing plans, but at the same time it complained that "very important crops had been arbitrarily and without serious motive" reduced in acreage. Unabashedly the party paper continued:

Organs of the party, the soviets and agriculture are called upon to direct this work (agricultural planning). Their immediate task is to help rural workers in examining, from the point of view of the state, their activity and elaborating the plan. (Emphasis added.)

On June 29, 1965, *Pravda* returned to the attack. It was necessary, said the paper in an editorial, "to trust the specialists," but such "confidence does not mean that one must allow things to go to ruin." The "new" line was set forth as follows:

Naturally, it is not a question of interfering at every turn in the daily work of the specialist or of replacing him. Such practices have been definitively condemned and will not be taken up again. What is necessary, however, is concrete help, daily and profound control of the implementation of decisions. (Emphasis added.)

In other words, the party has not given up its

² *Izvestia*, Dec. 11, 1964.



Caption upper left: "From now on one of the basic plan-indicators of enterprises will be the task regarding the volume of production to be realized by them." Sign reads: "The Textile-Factory Needs:" Man covers the former list with a placard reading "Customers."

—From *Krokodil* (Moscow), Oct. 10, 1965.

chronic tendency to say, in effect: You are free and on your own as long as you do as we please. Supplemented by the Khrushchevian motto, "Trust but verify" (*dovierat no provierat*), this attitude leaves agricultural producers very little freedom of action, and the same applies in the industrial sector. What, indeed, would happen if industrial managers were subjected to no direct administrative controls and were to be guided only by the economic indicators of the market system? And does the concept of party "assistance," which may be justified under the system of command planning, have any application when only economic criteria govern economic decision-making? Would not the managerial class then be tempted to ignore the leading role of the party not only in economic matters but also in the spheres of ideology and politics? And would not other strata of the population be justified in demanding similar enfranchisement?

Within the party leadership, these same questions were discussed, albeit in somewhat more formal doctrinal terms. In the official view, of course, economic problems are only a part of the vast undertaking the party has assumed for the sake of "building communism," and it would not do therefore to "lose sight of the forest for the trees," or succumb—to cite a particularly revealing *Pravda* article by V. P. Stepanov—"to a narrow-minded practicicism disregarding the large horizons of the future."³ In other words, the economists and the managers are expected to remain in a role strictly subordinate to the party leadership. Even the apparently irreproachable rule—enunciated on March 19, 1965, by Kosygin—that economic plans must be formulated exclusively on the basis of economic realities and in consonance with economic aims is not unobjectionable according to Stepanov's doctrine, since the large task is not just to develop an economy but to build communism. For communism "has not yet been accomplished and it still remains to a considerable degree in *the realm of theory rather than reality*." One must therefore be concerned not only with the question of how to produce more and better, but also "*by what means*": "not by capitalist methods, but by the conscientious, voluntary and

heroic labor of the workers."⁴ (Emphasis added.)

All this shows that party officials as a group have shown themselves even less concerned with the need to change the methods of economic management than those charged with strictly economic responsibilities. Among the top leaders, the only exception appears to be Podgorny, who in some of his speeches has taken a strong position in favor of far-reaching reforms. Brezhnev has always been much more vague and appears to have dedicated himself mainly to preaching the "strengthening of the party role in all spheres." Suslov, who even more clearly represents the traditional party apparatus, has not uttered a word on the subject of economic reforms, not even in his wide-ranging speech of June 2, 1965, in Sophia, in which he discussed most of the current problems before the Soviet leadership.⁵

This double obstacle—the attachment of many planners to the prevailing administrative methods and the fears within the party over a possible weakening of its prerogatives—explains why it has been so difficult to launch a "liberal" reform of economic management and why it required so much discussion before the compromise of last September could be reached. It is therefore justifiable to conclude that, partial and insufficient as the latest decisions are, they do represent a handsome victory for the reformers. The results achieved are about all that could be hoped for in the existing political circumstances.

As a result of the September Plenum's decisions, the advocates of managerial autonomy at the enterprise level have scored several gains. Certain centrally-planned indicators in the labor field (number of employees, average wages and productivity) are being abandoned, which may, among other things, make it easier in the future to discharge unproductive workers. Another change involves the replacement of global production indicators by indices relating to output actually sold; this measure is of course designed to improve quality. It should be pointed out, however, that enterprise managers have not won control over the disposition of their products,

³ *Pravda*, May 17, 1965.

⁴ *Ibid.*

⁵ *Pravda*, June 5, 1965.

which will continue to be distributed by the administrative network of "sales and supply centers" (*snabsbyty*), now once again functioning under the central ministries in Moscow. Kosygin has thus been unable to realize his preference for "direct ties" (see his speech of December 1964), and it is most probable that the highly bureaucratized *snabsbyt* system will cause serious difficulties in the future.

In another sector, advances have been achieved in the financial management of enterprises: interest will be charged on state investment funds and loans; the tax on profits is being replaced by a capital stock tax; and, above all, the portion of profit left for free disposal by the enterprise is being increased. On the other hand, the reorganization of the price system—a key step toward rationalization of economic management—has been put off until "1967-68."

As far as central administrative planning is concerned, it remains in force mainly for the purpose of determining the "principal nomenclature" of production, planning new productive capacity, and controlling technological innovation—three areas that involve most of the major decision-making in any economic system. In sum, economic reform in the Soviet Union is still far short not only of establishing a market economy, but even of coming close to the Yugoslav and Czechoslovak economic models, which in principle renounce command planning.

One of the subordinate issues in the Soviet debate on reform was the argument between partisans of administrative recentralization of the economy under reconstituted economic ministries in Moscow and those who continued to support the Khrushchevian sovnarkhoz system under which important authority rested with administrative bodies at the regional level. This argument was clearly won by the centralizers, even though the decision to liquidate the sovnarkhozes, which enjoyed strong favor with the regional bodies of the party, must have been politically difficult. On the other hand, the change was surely facilitated by the current general hostility toward all Khrushchevian institutions, as well as by the natural desire of the former high officials displaced by Khrushchev to regain their jobs (the appointment of N. K. Baibakov as chief of the new Gosplan is significant in this respect).

Finally, certain practical considerations also favored the decision to eliminate the sovnarkhozes. Once it was decided to retain a centralized system of command planning, the logical thing to do was to revert to the three-tiered Stalinist administrative hierarchy—Gosplan, ministries, enterprises—which, given the basic choice, represents the simplest structure from the functional standpoint. It had been Khrushchev's mistake to cut up this apparatus without seriously dealing with the real problem—i.e., the question of managerial autonomy at the enterprise level. In the main, the sovnarkhozes represented a superfluous bureaucratic addition to an already cumbersome administrative apparatus, and, to make things worse, they gave rise to the much maligned "localism" (*mestnichestvo*) without putting an end to the old evil of "bureaucratic compartmentalism" (*vedomstvennost*). It has now been apparently decided, and not without reason, to live with the latter disease rather than with both.

A corollary effect of this administrative reorganization is the loss on the part of the union republics of certain rights that had been delegated to them by Khrushchev. In spite of all the soothing words spoken at the last Central Committee session by Kosygin and Brezhnev, it is hard to imagine how this result could be avoided. To begin with, the union republics are certain to lose control over the machine-building industry within their territories. Moreover, there are indications that it will not be "recommended" to them to establish union-republican ministries for any other major branches of industry. It appears therefore that all that will be left under their control are the so-called "local" industries which Khrushchev in 1957 did not even transfer under sovnarkhoz authority, leaving them rather under the supervision of the local soviets.

As to the apprehensions felt within the party that its role might be diminished as a result of the reforms, these should by now have been attenuated, particularly insofar as the party's position in the enterprises is concerned; moreover, the "narrow-minded practiciness" feared by some party officials is not all-pervasive reality. It is true, to be sure, that the liquidation of the sovnarkhozes eliminates a useful instrument of control over the economy by the

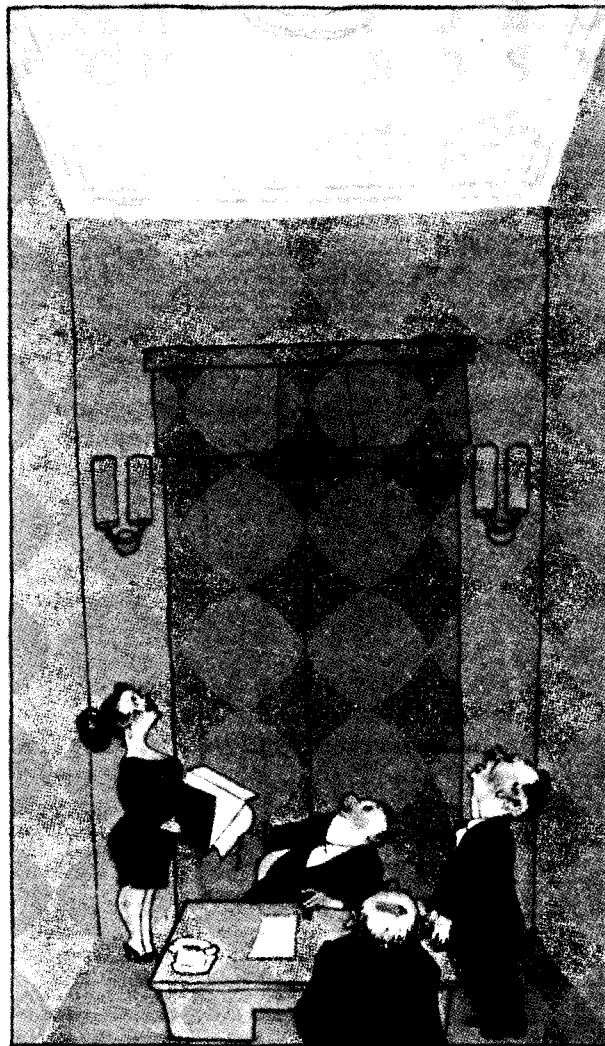
regional apparatus of the party, but it should be noted that this mechanism in fact ceased to be very effective in 1963, when the economic regions, with a few exceptions, were enlarged to cover several oblasts, which not only deprived the obkoms of parallel economic institutions but in fact submerged them, in the economic sphere, within vast new administrative structures. Moreover, the Stalinist system of economic ministries, which is now being revived, is sufficiently familiar to everyone so as not to cause any alarm. And finally, at the September Plenum the party received new assurances from Kosygin that the new system of economic administration would "further enhance the guiding role of the party in the economy. The responsibility of the republican central committees, of the kraikoms and of the obkoms will increase considerably."

True, it is still hard to see how the party's role can be reinforced at the regional level, but an article published in the October 4, 1965, issue of *Pravda* suggests that this could be achieved by officially delegating to the regional party committees the horizontal coordinating role which the sovnarkhozes once exercised. The fact is that there are no other bodies today that would be capable of combatting "bureaucratic compartmentalism" (*vedomstvennost*).

At the top echelons of party and state power, the situation is a little more delicate because the reconstitution of numerous and in some instances enormous ministries equipped with vast powers comes on the heels of the suppression—actually effected a year earlier—of the party "bureaus" through which the CPSU Central Committee and Secretariat supervised industry over the preceding years. A formidable army of captains of industry, this time enjoying effective command, is thus about to confront a political apparatus that lacks a recognized leader as well, probably, as solid unity. How many in the party are likely to enjoy this prospect? Reacting to the problem, Brezhnev in his speech before the Central Committee Plenum stressed the role of partkoms in the new ministries; he expects these party bodies to "inform the Central Committee of the CPSU periodically on the progress of work" in the new administrations.⁶ Yegorychev, in his *Pravda* article mentioned above, made a similar suggestion. But will such a safeguard be sufficient to assure

respect for party authority at this level, especially in view of the fact that complaints are already being heard—from Brezhnev himself among others—that the party decisions of March 1965 on aid to agriculture have been ignored by the planning apparatus?

Сентябрьский Пленум ЦК КПСС указал, что многие производственные вопросы руководители должны решать самостоятельно, без подсказки сверху.



ПО ПРИВЫЧКЕ

— Уже прошло полчаса, а оттуда не поступило ни одного указания!

Рисунок Е. ГУРОВА

Above: "The September Plenum of the CPSU showed that leaders should decide on many production problems themselves, without signs from above."

Below: "According to Custom" . . . "—Half an hour has passed already, and not a single signal has come from there!"

⁶ *Ibid.*, Sept. 30, 1965.

—From Krokodil (Moscow), Oct. 20, 1965.

In sum, then, the reform measures announced last September do not entirely resolve the political problems that have dominated the economic debate of the past months, nor do they even begin to eliminate the fundamental deficiencies of Soviet economic management. Rather, the reformers have had to satisfy themselves with a certain streamlining of the existing system by eliminating superfluous administrative echelons and establishing a clearer division of functions. But the drawbacks of the system remain—even those which drove Khrushchev in 1957 to introduce *his* reform—and they may soon assume an aggravated form, since the Soviet economy has now reached a new and higher level of development and complexity. Under these circumstances, “bureaucratic compartmentalism” is bound to have even more serious effects than before, particularly on the introduction of new technology. Furthermore, it is difficult to see how the new Gosplan will be able to avoid the

errors, paralysis, and competing influences of various pressure groups which were so vigorously deplored in the past.

It remains to be seen whether the enterprise managers will learn to utilize those limited rights that they have been granted; many have noticed and criticized the fact (see Kosygin’s speech of December 1964) that certain past measures liberalizing management procedures in both agriculture and industry have never been put into effect. This state of affairs can be traced to the equivocal role of the party, to its “guidance” and the resulting politization of economic administration, and also to the attitude of the managers themselves, who under the present system equate prudence with the line of least resistance. To break this inertia, to make people truly believe in the possibility of change and the need for individual initiative, much more radical measures are required. What is needed is an “administrative destalinization” in fact and in spirit. Perhaps the next reform will bring such a breakthrough.

Economics and Politics

Politics is not the passive result of economics. It exerts an active counteraction on economics. Marxism-Leninism teaches that politics can act either in the direction of the economic development of society, accelerating it, or can set up definite obstacles to this development. The strength and vitality of the policy of the Communist Party, of our state lie in the fact that it is the concentrated expression of the socialist economy, its generalization and completion.

The active influence of policy on economics conditions a political approach to economic phenomena. It proves correct only if it is based on the teachings of Marxism-Leninism and reflects the vital interests of the working people, the fundamental needs of the development of society. A correct political approach presupposes a solution to economic questions that conforms to the Program of the Party, to its general line.

The volume, content and forms of the economic and political activity of the party and the state and the weapons, methods and ways

of solving economic and political tasks naturally do not remain unchanged. During the period of the full-scale construction of communism the chief economic task, the foundation of the general line of our party, is the building of the material and technical base of the Communist society. . . .

The growth in the scale of transformations in all spheres of social production and life is raising even higher the Communist Party’s role as the guiding and directing force of Soviet society.

The fundamental requirements of Communist construction dictate the need for a rise in the scientific level of guidance of all sectors of the national economy. This level depends on the degree of mastery of Marxist-Leninist theory on the part of our cadres and on their ability to apply its tenets creatively to practical reality. . . .

—From “Economics and Politics,” *Ekonomicheskaya gazeta* (Moscow) No. 46, November 11, pp. 2-3.

Mao and Maoism

- ARTHUR A. COHEN: *The Communism of Mao Tse-tung*.
Chicago, University of Chicago Press, 1964.
- STUART R. SCHRAM: *The Political Thought of Mao Tse-tung*.
New York, Praeger, 1963.
- JEROME CH'EN: *Mao and the Chinese Revolution*.
London, Oxford University Press, 1965.
- JOHN W. LEWIS: *Major Doctrines of Communist China*.
New York, Norton, 1964.
- GUY WINT: *Communist China's Crusade: Mao's Road to Power and the
New Campaign for World Revolution*.
New York, Praeger, 1965.

Reviewed by James R. Townsend

THE FIVE BOOKS under review are a small sample of the increasing flow of publications about the Communist revolution in China. Until a few years ago, the student of Communist China had at his disposal only a handful of scholarly monographs, supplemented by numerous journalistic reports of very uneven quality. Like the Soviet field in the postwar years, however, the Chinese Communist field is now experiencing a publication explosion that will soon transform the situation of scarcity into one of relative abundance.

This development is entirely natural and welcome, for the Chinese Communist revolution is rich in themes that should engage the attention of scholars and writers for decades to come. It has an individual leader whose activities span the whole course of the revolution, and whose successes may rival those of the greatest figures in history. It is a movement of unparalleled scope embracing over three decades of struggle

against the old political order and linking up with a series of social, economic, and cultural changes that have made all of modern Chinese history a revolutionary process. And it now seems, in the light of the Sino-Soviet conflict, to have a mission that may profoundly affect world politics in the second half of the 20th century. These are the themes to which the books under review address themselves.

What sort of man is Mao Tse-tung and how will history assess him? This challenging question has spurred Messrs. Cohen, Schram and Ch'en to engage in intensive explorations of Mao's life and work. Mr. Cohen's book is the most limited in scope. His purpose, as stated in the introduction, is to delineate Mao's view of communism and to ascertain in what ways Mao is an innovator in the Marxist-Leninist tradition. In his analysis of Mao's originality as a political theorist, Cohen moves systematically through Mao's major writings on dialectical ma-