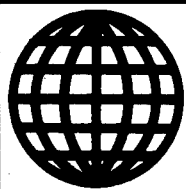


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21 DECEMBER 1989



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Soviet Union

***WORLD ECONOMY &
INTERNATIONAL RELATIONS***

No 8, August 1989

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CONTENTS

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[The following are selected translations from the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations of the USSR Academy of Sciences. Refer to the table of contents for a listing of any articles not translated.]

Summaries in English of Major Articles [pp 158-159]	1
Case for Military Cuts: Reduced Threat, Economic Constraints [S. Blagovolin; pp 5-19]	2
Case Made for Soviet GATT Membership [I. Artemyev; pp 34-44]	12

INTERNATIONAL ROUNDTABLE

Further on 'Democratic Alternative' in Western Societies	18
Editorial Introduction [p 58]	18
New Directions for Social Reform [J.-C. Le Scornet; pp 58-59]	18
Democratic Alternative of Neoconservatism [K. Kholodkovskiy; pp 60-62]	20
Social Democrats' Role [B. Orlov; pp 62-63]	22
Workers' Role in Management [S. Peregudov; pp 63-66]	23

DIALOGUE BETWEEN A JOURNALIST AND A SCIENTIST

Problems of Computer Control in SDI Discussed [pp 91-96]	26
--	----

FOREIGN ECONOMIC EXPERIENCE

New Hungarian Employment Strategy Viewed [A. Polyakov; pp 97-101]	31
---	----

IN THE IMEMO ACADEMIC COUNCIL

Developments in Western Economies in 1980's Surveyed ¹ [L. Grigoryev; pp 116-121]	35
--	----

COMMENT

Critique of Western Social Democrats Criticized [A. Veber; pp 122-124]	40
--	----

SCIENTIFIC LIFE

Conference Discusses Need to Reform CEMA [S. Kolchin; pp 125-127]	42
---	----

ECONOMIC MONITOR

Lack of Real Payment for Products in Soviet Economy Explained [A. Kazmin; p 128]	44
--	----

BOOK REVIEWS

Book on Social Democrats Reviewed [M. Neymark; pp 129-132]	45
Finnish Book on West European Economic Integration Reviewed [Ye. Krasnova; pp 132-134]	48
Garthoff Book on ABM Treaty Interpretation Reviewed [D. Klimov; pp 135-136]	50
Biographical Information on Book Reviewers [p 142]	52
List of Books Recently Published [p 143]	52
Chronicle of Institute Activities, Meetings [pp 144-145]	53
Articles in MEMO Not Translated [pp 1-2]	55
Publication Data [p 160]	55

World Economy & International Relations

No 8, August 1989

Summaries in English of Major Articles

18160018a Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 8, Aug 89 pp 158-159

[Text] S. Blagovolin in the article "The How and Why of Military Power" discusses the process of reassessment of Soviet defense efforts. The author concentrates mainly on the security, economic and foreign policy aspects of the problem. According to the author, the level of Soviet military build-up after the nuclear parity was reached could have been lower. However, the former leadership failed to notice significant changes in all the nature of military threat and the role of military power in providing for security. A war between East and West has become unthinkable due to the fatal consequences of a possible nuclear or even a massive conventional conflict. Another important factor is the growing indivisibility and interdependence of the present-day world: the existing ecological, health and other problems can only be solved by common efforts of many countries. A number of deep changes have taken place in the Western societies in the postwar period (one of them is the establishment of strict public control over the forces of militarism). Apparently, there is no solid social basis in the West for aggressive actions against the USSR. A war with the Soviet Union can no longer be considered as a realistic way to achieve political aims. For these reasons, a serious military reform is needed in this country, which would be based on the principles of sufficiency in defense. The new defense policy should be flexible enough to be able to respond to changes in international situation and to support the main purposes and aims of foreign policy.

V. Nazarevsky: "New Tendencies in the Process of Concentration". The article approaches the issue of recent changes in the capital and production concentration in capitalist economies. After a brief account of the main pros and cons of giant corporations, the author attempts to outline those segments of modern economy which offer best opportunities for the functioning of a small or large corporation, and to determine the factors which promote cooperation between different companies.

In the era of technological revolution, indicates the author, each enterprise, depending on its size (a large corporation, medium or small company), usually performs its own specific functions. In order to reduce the costs of research and development programs, large corporations often transfer relevant information and know-how to smaller companies. This type of cooperation is certainly beneficial for both sides and here lies one of the reasons of "small business survivability". Another reason mentioned by the author is the development of new research-intensive industries which creates opportunities for the small and medium companies to become

more competitive on the market and even to dominate in a number of important research-intensive spheres, e. g. in production of computer software. In examining the economic performance of small enterprises (the so-called "mini-factories") as well as of giant factories in some developed countries, the author stresses that interaction and close cooperation between them is necessary for effective economic management.

I. Artimiev and S. Stankovsky in their article "The GATT and USSR Interests" focus on the General Agreement on Tariffs and Trade (GATT), a multilateral inter-governmental agreement, containing the main principles, norms and rules of foreign trade regulation. GATT is also a major international forum, which organizes negotiations between its participants to reach agreement on tariff concessions and lowering customs duties and other barriers in their mutual trade. One of its major provisions requires that its members grant one another most favored nation treatment. The authors outline possible benefits for the USSR if it joins GATT.

The authors also point to the two main obstacles, preventing the USSR from joining this organization. One of them is the lack of will on the part of some capitalist countries, the other—existing discrepancies between the Soviet economic mechanism, based on state planning, and the principles of GATT, requiring freedom of action for the market forces. The ongoing economic reforms, claim the authors, would bring this country closer to GATT requirements. On the other hand, the countries of the West which play a leading role in the GATT, should also make some steps to facilitate procedures, so that the USSR could eventually enter the Agreement.

V. Ramzes: "Japan—Erosion of Groupism and Labor Motivation". Among the forces that set in motion the mechanism of labor motivation at Japanese enterprises, a special role has always been played by groupism—that is a staunch loyalty of the Japanese to a certain collective, their intensive work in a team, their readiness to suppress their own aspirations in the interests of the "commune". Various methods of strengthening labor motivation based on groupism were very popular in Japan's industry in the 1960s, during the period of "chasing the West".

Lately, however, the phenomenon of groupism has shown first signs of erosion. One of these signs can be observed in changes that have affected the main social institutions—family, company and state. Another one—in the course of the modern technological revolution which influences groupism, especially in the educational sphere. The new level of economic development requires not only skilled workers, able to perform standard operations, but also gifted individuals capable of taking independent actions, ready for innovative ideas and bold decisions. Therefore the whole system of education needs to be transformed on a more flexible, non-traditional basis, including the introduction of competition element. The author also takes note of the drift in

individual consumption patterns towards more diversified priorities. Hence, the creation of numerous lifestyles and the gradual dissolution of the middle-class consumer group, built on the demonstration effect. Concluding, the author poses a question, whether it is useful to keep labor motivation in the country at present high levels which were reached in the 1960s as a result of extremely intensive human efforts of the population.

I. Bunin: "The Phenomenon of Le Pen". The author gives an in-depth analysis of the National Front, the ultra-right organization in France, investigates into the role of its leader, Le Pen, studies the ideological and social roots of this movement. The author indicates, that the mixed structure of the Front, which unites various groups of the radical right, resulted in a rather heterogeneous ideological platform, reflecting different, sometimes even contradictory positions. On socioeconomic issues the National Front attempts to combine the ultra-liberal ideas with the populist tradition of condemning "the rich". At the same time, on political and moral issues the National Front supports authoritarian approaches.

In reviewing the results of parliamentary elections in France, the author analyses the social basis of the popularity of National Front in different regions of France. The article suggests that the "phenomenon of Le Pen" cannot be explained solely by the public opposition to economic crisis and to existing political structures. This movement finds its roots in anti-democratic and xenophobic traditions of the French ultra-right and is based on authoritarian preferences of a certain part of French society. Completing his review the author points out that although the National Front has been successful in its election campaign for the European parliament, recent public opinion polls reveal strong public conviction that the ideas of Le Pen are dangerous for the democracy.

A. Silantiev: "Latin America—In Search for a Democratic Ideal". Nowadays, as the Soviet society has started to combat bureaucratic centralism in its own country, it is especially relevant, in the authors' view, to address the experience of other states on the road of democratization. As far as the issues of mass-media regulation are concerned, some lessons could be drawn from the practice adopted in a number of Latin American countries. Analyzing the legislature of the countries of Latin America, the author shows that many of the democratic principles in their constitutions were based on the ideas of the Great French Revolution (particularly, the Declaration of the Rights of Man) and the US Constitution of 1787, especially the Bill of Rights (the first ten amendments).

The author review in detail the laws on the functioning of press, that were adopted in Mexico and Brazil, the laws on the rights of journalists in Peru, Columbia and Venezuela, the specific features of regulations, concerning TV and radio broadcasting in Latin American countries. Particular attention is paid to the projects RATELVE, developed in the early 1970s as program of radical restructuring of national radio and television networks in Venezuela to enhance state control. The

author studies at length the experience of democratic reforms in Chile (1970-73) and Peru (1968-75) during which the attempts were made to reduce the dominance of private interests over the information flows. The author believes that only public ownership, as the economic basis, together with the right of individuals to receive and distribute information, could guarantee genuine democracy in this sphere.

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Case for Military Cuts: Reduced Threat, Economic Constraints

18160018b Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* in Russian
No 8, Aug 89 pp 5-19

[Article by Sergey Yevgenyevich Blagovolin; doctor of economic sciences; department head, IMEMO, USSR Academy of Sciences: "The How and Why of Military Power"]

[Text] The reappraisal of what the Soviet Union has done and is presently doing in the area of military preparations occupies a special place among the infinite multitude of problems confronting the nation today. This reappraisal, an important contribution to which was made at the Congress of USSR Peoples Deputies, is extremely complex and even torturous because in the very recent past, they tried to convince us (and almost succeeded): the greater our military might the better, the greater our peace of mind, the greater our security. No matter what it cost, any price was incomparable with its "product": security in a world where we had so many enemies for whom military victory was virtually the only chance for the survival of "their" social system. All this was superimposed on very understandable historical reminiscences.

Of course, even in the past the questions had been raised: why did the imperialists not attack us when they had a monopoly on nuclear arms and why did they not do so after they lost this monopoly but still retained overwhelming superiority in nuclear weapons? Why did they not exploit the sharp reduction of conventional armed forces by N. S. Khrushchev at that time? Finally, why was it that more weapons did not in any way mean greater security and why was the end of this insane race nowhere in sight? We also began to realize that the West's economy would not soon collapse "under the burden of excessive military spending" (as was the customary expression), but that our own economy was deteriorating as time went on.

But it was not until 1985 that we could speak about all this openly and pose the actual problem of analyzing the organizational development of our military and the parameters of our military power.

The new political thinking demanded new approaches to the security problem (they were formulated at the 27th CPSU Congress), a critical view of what we are doing in this area and of our picture of the realities of today's world. Specifically realities and not the picture, created by the joint efforts of numerous politicians, scientists, journalists, and military leaders, that is far from the truth—the picture of the victorious procession of our ideas, the indestructible might of the armed forces, and the unsurpassed quality of our weapons against the background of the current stage in the general crisis of capitalism and total spiritual and material disintegration in the enemy camp (specifically the enemy camp!).

The reappraisal naturally also incorporates the entire complex of problems associated with the determination of the role and place of the military factor in foreign and domestic policy.

The resolution of the 19th Party Conference quite clearly notes that only a political approach to the resolution of the contradictions of world development will open up to the USSR the possibility of winning its historically ordained role in securing the survival of mankind and in future progress; that foreign political activity must make an ever greater contribution to freeing up the nation's resources for the needs of peaceful construction; and that the organizational development of our defenses must strictly accord with our defense doctrine. This raises the question of military power in general and the question of what the military power of our country should be in particular. Naturally, the appraisal of what we need cannot be made in isolation from the appraisal of the situation outside our country.

The aim of this article—in addition to many well known publications by a number of specialists—is to make at least a modest contribution to the examination of certain timely questions regarding the current and prospective development of military power.

We believe that the analysis should be focused in three principal directions: military power and security (more precisely, the part that is secured by military means); military power and the economy; and military power and the foreign political situation. Naturally, there is a considerable degree of overlapping in this rather arbitrary division, but nevertheless there appear to be specific features characteristic of each of these directions.

I

Thus I shall initially attempt to answer the question of the degree to which Soviet military power ensures the nation's security and vital interests, the degree to which it corresponds to the situation existing in the world. Its quantitative parameters are very impressive: the USSR has approximately tanks, armored personnel carriers, and infantry fighting vehicles in commission as all the rest of the world; three times more multipurpose submarines than the USA (and more than NATO as a whole), two-plus time more tactical aircraft, etc.¹ Finally, and this is especially important, it has stable parity with the

USA in nuclear missiles. No other single country has or, honestly speaking, can have such parity. I believe that the USSR is no exception, having what it cannot have and what is to a considerable degree connected not with the task of national security (if, of course, we understand this to mean the inviolability of the state's basic, vital interests). The result is that we have unbeknownst to ourselves long ago resolved this key task in the organizational development of our military and have continued to follow the path of increasing our military power which, in my deep conviction, is already "divorced" from this, its initial purpose.

It should be immediately emphasized that no serious specialist has the slightest doubt that military power will for a very long time continue to be a necessary element that is vitally important for securing our country's national interests. But military power, if it is not optimized with respect to the entire complex of external and internal conditions (such is probably attainable only in theory), at least takes them into account to the maximum possible degree and adapts to rapid change. However it appears that our military power does not by any means answer these demands and that serious grounds exist for doubting that it can be sufficiently effective tomorrow.

I will try to show why this is so. There are several aspects here. One of them is the scale and structure of our preparations. Until parity was reached in nuclear missiles, the USSR did not have the full guarantee of security at the highest, strategic level independently of the practicability of plans for attacking us. During this period, many efforts seemed justified. But parity was attained and this truly became a historical landmark in the entire international situation. Did this become the turning point in our military preparations? Alas, it did not. They continued in unabating tempo in all the same directions as in the "pre-parity" period. In our view, this was a serious—economic and political—miscalculation. Of course, the decisions were made by the political leadership of the time and not by the military. But this misfortune of that leadership (and of the entire country to an even greater degree) was that with rare exceptions it thinking did not rise to the necessary qualitative level, to the ability to see the interrelationships and interdependences that to a very great extent determined its situation. And this frequently meant the inability to resist military technical thinking. The race for tank, artillery, chemical, etc., "superiority" essentially continued despite the fact that it was no longer necessary from the standpoint of the nation's security and that it was fraught with grave economic consequences and, what is no less important, with the entirely negative perception of the sense and substance of our preparations in both the West and the East and with the growing fear of Soviet military power.

Hardly anyone will now deny the existence of a number of serious asymmetries in Europe in our favor, including not only various quantitative indicators but also the offensive structure of Warsaw Treaty Organization armed forces, their deployment and a number of other

factors (this has already been written about by both Western and Soviet specialists). Here we will not discuss the case of the SS-20 missiles—one more illustration of same ideas about ways and principles of enhancing power.

During the same “post-parity” years, the buildup of the navy—a factor that in our view played a very substantial role in what can be called the development of events at the geopolitical level—acquired special scope. Between 1978 and 1987, we even built almost as many large surface ships and twice as many multipurpose submarines as the USA. The construction of the largest ships of the latest type—aircraft carriers, atomic cruisers—began.²

The fleet—a special type of armed force with most clearly expressed political and “demonstration” functions—is an ideal means of what is called “power projection” in the West. The impression was created that the reference was to the creation of a fleet capable of opposing the U.S. Navy and its allies on the ocean, of operating on their sea lanes, and, in addition, of successfully operating in remote regions of the world with the aim of resolving a number of political problems. In other words, a fleet was built to ensure our global military presence. Everything was done without regard to whether such goals were actually posed or the degree to which they were actually attainable: this was the subject of discussion not only by those wishing us ill in NATO countries, Japan, etc.

Admiral S. G. Gorshkov characterized the situation as follows: “The Navy has acquired the ability to open new directions of struggle for the Armed Forces that since ancient times were considered beyond our reach.”³ He writes further that the creation of a Soviet ocean fleet is comparable in significance to such most important events in the recent past that have influenced world politics as the USSR’s development of nuclear arms.⁴

It is also written that we have become a most influential world power and that our striving to pursue foreign policy, including military policy, in all directions of world development, is therefore entirely natural.⁵

We are beyond question a great country and it hardly need be proven that we now have and will in the future have economic and political interests in all corners of the world. But what is the nature of these interests and how can what was discussed above be related to them? After all, it was not for nothing that our greatest military figures—A. A. Svechin, M. V. Frunze, and M. N. Tukhachevskiy—emphasized that we need a fleet that is oriented toward defense, that takes the specifics of the country’s geographical location and its economic situation into account. One might object that more than a half-century has passed and that much has changed during that time. Yes, that is true, but one fundamental principle has remained the same: we have remained a primarily continental power and have not acquired such transoceanic political and economic interests that would

require the globalization of our military presence and the creation of a fleet to support it (all the more so because this is obviously the costliest part of military preparations).

It is obviously unnecessary to argue countless times that expansionism, arrogance, etc., are frequently present in American politics. All this is unquestionably true. But nevertheless the American globalization of its military presence reflects existing realities. Unfortunately, the Soviet Union has not become a country with global economic ties. The volume of Soviet foreign trade (even in value terms without regard to its character) is many times less than the corresponding indicators of the leading Western countries, to say nothing of other forms of economic cooperation. But as regards the USA, its NATO allies, Japan, and many other developed and developing countries (given all differences between them), their interdependence is enormous and is constantly increasing, and ocean communications are truly vitally important arteries. Any threat, albeit hypothetical, is perceived not only by the USA but also by the other countries that have been mentioned as a threat to its/their existence.

This circumstance has been very purposefully exploited by the USA to create what was at one time called the “total military power” [TMP] of imperialism. A paradoxical situation developed: the more impressive the Soviet Union’s military preparations were, the more intensive did centripetal processes within TMP develop, and the greater was the number of potential enemies appearing on the horizon. There were obviously sufficient arguments to view Soviet military power as offensive power oriented not so much toward the protection of its own global interests (bearing in mind their limited nature) as toward the acquisition of the possibility of influencing the interests of others. And, frankly speaking, from time to time its use (directly or “through representatives”) reinforced this perception. Suffice it to recall Afghanistan and not only Afghanistan.

But let us ask: what happened during that time to the military threat to us from the West and in general to the role and place of military force? Were the efforts to create such colossal “nuclear-nonuclear” military power perhaps justified in the “post-parity” period as well? Should we perhaps, at the “risk of our life,” continue this policy? Should we fear a 1941-type military catastrophe and therefore, in particular, extend the perimeter of our defense to a global scale? I do not believe that the answer to all these questions can be found in the conventional solutions. Fundamental changes in all spheres of life have radically altered the usual ideas about the nature of the military threat and the security role of military power.

The basic thing that must be noted is that war between East and West has become inconceivable as a conscious act. The inevitability of the fatal consequences of nuclear conflict is, strictly speaking, at the basis of so-called nuclear deterrence. In the opinion of D. G. Yazov, USSR

defense minister, the development of the productive forces, the intensification of economic relations of the entire system, and the improvement of conventional weapons over time have resulted in a situation where the massive use of non-nuclear weapons will also inevitably lead to global catastrophe.⁶

The wholeness of the world we live in, which is manifested to an ever greater degree, has become another important factor that determines the growing understanding of the danger of military conflict and the senselessness of the arms race. Ecological and medical problems know no boundaries. Other problems—raw materials, energy, etc.—will inevitably arise in the relatively near future. All of them, to say nothing of the preservation of life on the planet, can only be resolved through common efforts. And it is by no means the intellectual elite alone that now understands all this and the inadmissibility of military conflict. The entire civilized world is now essentially keenly aware of the new realities. It is specifically the ability to perceive them and to act in accordance with them that becomes the yardstick of civilization to an enormous degree.

Most profound changes have taken place in the living standard and the quality of the life of the broadest strata of population in the West in the postwar decades. It is well known that aggressive wars in the past usually started with the support of a considerable part of society which viewed them as a means of acquiring living space, resources, and thus of resolving their own urgent problems. Now—I have already had occasion to write about this—the scientific-technological revolution in combination with flexible social policy has made it possible to solve a large part of them in a completely different way. No one would any longer think of equating territorial size and resource availability with national well-being and prosperity (which is, alas, largely connected with our experience). All the more so, in no single developed country is there any kind of solid social base for carrying out aggressive actions against the USSR or in general for implementing a policy that could lead to a big war. There is a combination of factors here: tight controls by legislative bodies over executive bodies; developed civilian society (which has placed militarism under quite stable control); and awareness of the deadly danger of such actions. Frankly speaking, there are no very discernible factors that might encourage someone to engage in military conflict with us as some kind of last, desperate step—“to go down with a fanfare!”

It is specifically by virtue of what has been said that where Western countries are concerned, war with the USSR is impossible as a means of resolving political and other problems. Does this mean that we have no need for military power whatsoever? Does this not contradict what was said at the beginning of the article? By no means, because in order to exclude surprises connected with technical, political, or any other reasons, the Soviet Union must have the guaranteed ability to inflict unacceptable damage on the attacking side.

It is obvious that we have such ability and therefore as long as the technical reasons on the basis of which all existing weapons—nuclear and conventional—exist, as long as the age of fundamentally new weapons has not dawned (this will be discussed in greater detail below), the USSR will have a guaranteed “window of vulnerability” or “period of guaranteed military security.” It lasts roughly 10-15 years, whereupon a situation requiring different evaluation criteria may develop.

There is no doubt—and there is daily practical confirmation of this point—that the existing realities are also perfectly well understood in the West. As already stated, the West is not looking for a ruinous, no-win conflict. It is therefore impossible to understand the logic that the condemnation of nuclear war in the political lexicon and Western military doctrines is nothing more than a declaration to soothe the public, that has not and does not play any kind of restraining role in NATO military activity⁷, that we will now have to prepare to repel possible NATO aggression involving both nuclear and conventional arms. Of course, the professional load of military leaders is very heavy. But in such evaluations one nevertheless sees the desire to apply old criteria to a new situation. But this may seem extremely unfavorable both from the standpoint of seriously improving the entire international situation and of resolving specific national security problems. Obviously, the existence of such a “period of security” that is bestowed upon us by history and the logic of world development must be used with maximum effectiveness in all spheres, including the military sphere, which is presently the subject of discussion.

It seems especially important to secure such changes in the scale and structure of our military power that would bring it into line with the situation that actually exists today and that would pave the way for its future evolution. It is first of all necessary to continue to restructure our armed forces in accordance with the adequate defense concept, which is discussed in party documents, in materials of the Political Advisory Committee of Warsaw Treaty member-participants, etc. The unilateral reduction of armed forces and conventional arms, as is the case in the USSR, brings us closer to specifically this type of power. But structural balance is also very important. Of course, the Vienna talks and all other negotiations are very important. But it is unquestionably true that the Soviet Union should not connect its steps to optimize military power exclusively with them. There is much that we not only can but should do unilaterally to make our “grandiose war machine” (as Corresponding Member O. N. Bykov called it) more compact and flexible. The reference here is above all to those of its clearly hypertrophied elements that create well known asymmetries, without adding anything to our security, and that “subtract” from it on a long-term, strategic basis. Of course the reference is to those of its elements (and trends in their development) that, while not creating asymmetries in a physical sense, seriously yields to the combined power of the West but nevertheless create

a serious "asymmetry" of a military-political nature, that willy-nilly give Soviet military activity features that are very undesirable for us. This is first of all the fleet or more precisely part of its composition and operational activity that is specifically oriented toward the performance of those "global" functions that only multiply economic and political difficulties.

Finally, in the structure of our military power there are also elements that are "exotic" according to modern concepts, such as the nation's enormous PVO [antiaircraft defense] system (A. Arbatov also wrote about this recently⁸). Expenditures on it comprise—once again according to Western estimates—up to 15 percent of the military budget, while its effectiveness, as experience shows, is none too high. At the same time, even its routine modernization swallows up tens of billions of rubles. Naturally, we must make a sober evaluation of the kind of PVO system we need today with due regard to the decisive role of nuclear missile weapons. But the fact that we produce seven times more ground-to-air missiles than the USA (four times more than NATO as a whole) and have 30-plus more PVO fighters than NATO countries in Europe is in itself quite eloquent. What is more, all the armaments and several thousand radars are operated by 0.5 million service personnel.

Optimization is also directly connected with armed forces manpower acquisition and with the level of combat training. It can hardly be denied that sophisticated equipment, especially in the future, will require an increasing degree of professionalism. According to available Western estimates, the combat training received by our tank crewmen in a year is one-tenth the training received by their American counterparts (at the same time that we have five times more tanks); our fliers receive one-third the flying time⁹ [of American fliers] (at the same time that we have almost three times more tactical aircraft), etc. If this is the case, the situation must be altered starting with armed forces manpower acquisition and ending with their size and structure. The effectiveness—military and economic—of the induction system is steadily declining. I will add that the twice-a-year callup, which each time results in the relocation of a large number of people, is in itself a very complex and controversial measure when we consider ethnic problems. It is of course possible to replace the analysis of the situation with announcements in the press that all citizens must be ready to defend the Homeland, otherwise as Marshal of the Soviet Union S. F. Akhromeyev wrote in the pages of the newspaper SOVETSKAYA ROSSIYA on 14 January 1989, social justice will be violated. But this does not reduce the urgency of the problem.

It is not the purpose of the present article to analyze the problem in detail. Many complex questions arise here and the discussion will not center on decisions with the simplicity and clarity that are so dear to our heart. But whatever the case, it is necessary to bear in mind the following: when the USA made the transition to a professional army, personnel maintenance costs did not increase (in constant 1987 prices, they totaled \$79 billion

in the 1968 fiscal year and \$72 billion in the 1988 fiscal year).¹⁰ As regards total real economic costs, they unquestionably declined primarily because of the higher skill level of the professional army. It is therefore entirely impossible to understand the estimate that a professional army would cost us 5-8 times more than an army of draftees. This is only possible if we keep the structure, scale and quantity of equipment of the armed forces the same and raise pay if not to the U.S. level then in any event to the level of the West European countries.

The thrust of what has been said is that there is need for in-depth military reform (as an element of the entire complex of reforms in our society) starting with the public formulation of the concept of national security, the role and place of military power in its realization, the assessment of real current and future threats, the identification of what is connected with the East in Western military preparations, what is connected with problems of North-South relations, etc. As in all developed countries, military activity in our country is an integral part of all economic and political activity, and as in all countries, the determination of its scale, structure, and trends in its development must be the prerogative of the corresponding institutions, particularly of the new Supreme Soviet.

This does not mean disbanding our armed forces or reducing them by 50 percent (or by 30 or 70 percent) or "moral disarmament." Everything is much more serious and complex: our military power must see to the nation's security at a minimum cost so that its parameters would correspond to the Soviet Union's new look, without which it would be quite difficult for us to find our proper place in the world.

The determination of these parameters is one of the most important tasks of the military, of politicians, and of economists. The new political thinking—inter alia, in the military sphere—is not Manilovism [smug complacency], is not starry-eyed idealism, is not wishful thinking. Quite to the contrary, this is, the unfortunately long years overdue "hour of truth" that made it possible for us to understand more or less clearly the entire depth of problems and the total difficulty of their solution. And military power that in any case will cost less must become one of the clearly expressed features of our society that attest to the force, to the reason, and to the clear understanding of its interests, and to the realization that we are driven not by dull enmity, but by the striving to resolve together with others world problems of great complexity, without of course forgetting the very difficult problems that have accumulated at home.

II

Among these problems, there is hardly a problem that is more important than the resolution of the country's economic crisis. The relations between military power and the economy, which are always acute and contradictory, have therefore acquired many new alarming features of late.

What has been the price of creating the power that we now possess? What is the price we have paid for attempting to compete with virtually the entire world by ourselves? First several figures. The Soviet Union's GNP is roughly one-fifth that of the USA, the European NATO countries, and Japan. Let us also add to this Canada, Australia, South Korea, and certain other countries that have very strong military ties with the United States and Great Britain. Let us attempt to introduce here a qualitative coefficient that takes our threatening scientific-technical lag into account. According to American estimates, we lag behind the USA in 14 out of 20 of the most important, basic branches of technology, have rough parity in only 6, and do not lead in any branch.¹¹ And after all there is also Japan and Western Europe.

The real correlation of economic power also appears to be such. I think that it is difficult to doubt that the reference is to a gap that is measured as an order of magnitude. My only fear is that there will not be a 1 in front of the 0. One of the main answers (I most definitely emphasize—not the only answer) to a question that millions of people ask themselves every day—how can it be that tens and hundreds of billions of rubles are underinvested in literally all branches of the economy—from railroads to health care—clearly suggests itself. Given such a correlation of potentials, in the last decade we have produced 2.2 times more tanks than all NATO countries and Japan (and over 3 times more than the USA), 2 times more infantry fighting vehicles and armored personnel carriers (4.5 times more than the USA), and 4 times more artillery pieces (8 times more than the USA). We have already mentioned submarines, surface-to-air missiles, and basic classes of surface ships (these are the only things that we have built appreciably less of than all the aforementioned countries combined). I would like to see information of “domestic” [Soviet] origin that refute these figures and provide a fundamentally different picture. But it does not exist and the entire experience of the past shows that given the sophisticated technical means of intelligence and analysis, errors of this type in Western estimates are quite minor.

One would like to see different—entirely different—figures because they are totally stupefying. Let us try to imagine what they mean. According to the most common estimates, military spending accounts for 9-17 percent of our GNP (for the sake of comparison: less than 6 percent of the U.S., approximately 3 percent of the West European, and 1 percent of the Japanese GNP). Even if we leave all the conditionalities of calculating GNP, ruble-dollar comparisons, etc., aside, I do not believe that these figures give the full picture of the burden borne by the USSR national economy. Indeed, the best resources, the best equipment, and the best personnel are used to satisfy defense needs. This is even the subject of discussion today.¹² But it is also a fact that our economy's military sector is wont to live “outside the economy”: materials are centrally allocated, equipment is made or “obtained” overseas at any price, and wages are also very different from the generally accepted

norms in the national economy. The enduring penchant of our military industry and obviously its clients as well for practically never completing the deployment of a weapons system before embarking on the development of the next generation of the system (unlike the USA and other Western countries who do not do so for economic reasons) also costs enormous additional sums that no one has evidently even attempted to calculate up until now.

Let us try to solve a simple arithmetical problem (“arithmetical” because qualitative and certain other parameters exceed the framework of the problem). Approximately 3.2-3.4 million persons (15-16 percent of the work force in the manufacturing and extractive industry) in the USA are employed in the production of weapons and military equipment. Let us assume in round figures that the Soviet Union produces only two times more [weapons and military equipment] than the USA and that its labor productivity is approximately one-half of the American level. The Soviet manufacturing and extractive industry employs 38.2 million persons. Consequently about one-third of them are employed in the production of weapons and military equipment. Let us subtract from this the work force in the extractive, light, local, printing, and other branches of industry. And let us imagine that the machine building complex and chemistry—the fundamental basis of the entire economy, without the decisive restructuring of which absolutely nothing can be accomplished—are left to the “nonmilitary” sector! This is truly the leftover principle [*ostatochnyy printsip*] but in an unexpected, maximally hypertrophied form. Here they are—the railroads and health care, at least a considerable part of them. Was everything that these millions of people did even after parity in nuclear missiles was attained really necessary for security, for defense?

I agree entirely with those who say that the conversion of military production in itself cannot produce the so earnestly desired economic effect if it is carried out like a political campaign. Of course, there is need for precise analysis: which plants should be converted to the production of a given product, which plants should be mothballed, what to do about the principle that we cannot have a manpower surplus, how to give manpower a mobility even remotely resembling that of American manpower, how to avoid generating additional social tension, etc.

Nevertheless, something else here is entirely clear: unless the military sector of the economy is substantially reduced, unless normal economic relations are introduced here, no matter how brilliant the people carrying out the economic reform are, no matter how favorable the conditions to its implementation, they will hardly succeed in their effort because unless these conditions are met there will simply be little left to reform! Consequently, in the process of military organizational development, it is also necessary to take the state of the economy fully into account. Our reduction of our military production by almost 20 percent is unquestionably

an important step in the right direction. But only thorough analysis of the situation and a review of priorities in the course of the military reform will make it possible to create conditions for major structural changes in the national economy.

However this aspect of the problem is directly connected with another: what does the present state of the economy mean for military preparations—especially in the future, for the solution of the problem that has already been discussed above?

It appears that the new state of the scientific-technological revolution is destroying every vestige of the "enclave" system of functioning of the war economy, including, first and foremost, the production of arms and military equipment and, of course, R&D. There are already a sufficient number of indications that advances in the "civilian" sphere can decisively alter the qualitative characteristics of conventional arms and increase their effectiveness 10-20-fold. New areas of science—biotechnology, superconductivity, further breakthroughs in the development of computers—are in general opening up such promising directions in the development of the means of armed struggle (or their functional elements) that can hardly be evaluated at present. The inevitable result of the breadth of the front of the scientific-technological revolution and its immediate impact on literally all spheres of activity is that in the military area it is no longer possible to compensate for quality by quantity, to compensate for general backwardness by a crash program to concentrate material resources and brainpower in one or two directions (as was done in the USSR initially in the development of nuclear arms and subsequently in the development of missile and space technology). The question is now posed on the following plane: a country either does or does not have the ability to keep in step with the advances of the scientific-technological revolution. A choice no longer exists. Of course, there may be lag in some respect, but if there is lag in all or almost all respects, it will be inconceivable to maintain our defensive military might even at a merely adequate level in the future.

It is very important to appreciate this new quality of the situation. Our truly self-sacrificing people are even now ready to make all the customary material sacrifices required to maintain the country's defensive capability. I will not dwell on what is also on our—international affairs scholars'—conscience: the reasons why people still have this "siege" mentality. But whatever the case may be, they are as usual prepared to make sacrifices. But it is essential that everyone understand that no kind of sacrifices, no kind of material deprivation can change anything in the existing situation. Academician L. I. Abalkin was absolutely correct when he recently expressed deep concern over the fact that it is very difficult to get the kind of personnel that are required by the modern level of technology without raising the general level of interpersonal, consumer service, engineering, etc., culture. Naturally, this also applies to the

armed forces proper (it is a paradox that the nation's military spending is enormous but the working and living conditions of both privates and officers and their families are often simply unacceptable; this is one more facet of the military reform). For this reason, the low standard of living begins to reproduce itself in a certain sense and becomes a serious obstacle on the road to resolving the problems that arise. But the search for a solution along extensive lines is hopeless.

In a word, a situation has finally developed in which the economy has become a key component of the strategic balance (in the broad sense of the term). This means not merely the dependence of the armed forces on the economy, which was described by F. Engels, but rather the emergence of an irremediable situation in which—without the dramatic acceleration of the country's overall scientific-technical development, without serious positive change in the economy—the armed forces run the risk of finding themselves in a situation where they simply cannot perform their functions effectively. Therefore the period of "guaranteed security" should be used in such a way that would, by large-scale maneuvering of resources, constantly move its frontier so that it would not end as long as the need exists for such a military guarantee.

I suggest that there are those who may construe this as an appeal for an arms race but only in a new quality, at a new technological level. I would like to explain my position clear. I encountered such evaluations several years ago at the time when work started on the study of "aggregate military power" and the first publications appeared. But already then I attempted to prove that we—if we continued our previous policy—would ultimately encounter unsolvable economic (and political) problems that objectively overwhelm us in all parameters of power, but did not by any means try to convince anyone that all we had to do was allocate twice as much of our GNP to military needs and everything would be wonderful. The issue continues to be that we must secure the qualitative and quantitative parameters of military preparations that are written into the conception of defensive sufficiency and no more!

And if someone in a certain time studies these problems after us and possibly in place of us, they will decide that the situation has changed and that the economy that—God willing!—has been put in order again makes it possible to once again create something that is "comparable in importance" but that does not correspond either to the character of threats or to the geopolitical interests, or finally, to the country's potential, once again to promise to "bury" someone—this will be an irremediable mistake. The only result can be a new cycle in the formation of the "aggregate military power" opposing us. It will be much more "aggregate" and much more "powerful" that it is at present because of the continuously increasing interrelationship between its potential participants and the increase in the number who are capable of making a quite substantial independent contribution to its functioning with all its consequences. To

be sure, no one wants to think about this. After all, in the quite near future, this would mean the return to economic stagnation, the rejection of the rise of the living standard that has been so long awaited and necessary from various points of view for the sake of goals that primarily unnecessary, to say nothing of the fact that they are totally unattainable and will be even moreso tomorrow than yesterday and today. Finally, this would mean international isolation, I fear, much harsher than what we have encountered to date.

III

Thus we come to the next aspect in the examination of the problem: military power and foreign policy. The problem of proportionality of development of the military component, one of the three (economic, political, and military) that determine to an overwhelming degree the role and place of individual countries and their associations in the world¹³, is by no means of a theoretical nature. The importance of the correct application of this correlation to the economy was discussed above. But where the political aspect is concerned, proportionality or the expedience of the level of development of the military component is determined predominantly, at any rate, by the degree to which the scale and structure of military power correspond to the long-term political interests of the state and the degree to which they promote (or hinder) the creation of a maximally favorable "environment."

Japanese researcher H. Seki notes that "global militarization is focused on an international "power structure" in which the hostility of superpowers is prevalent and extends to the horizontal and vertical forms of struggle between countries, encompassing both the intermediate and peripheral parts of the world."¹⁴ This is unfortunately quite an accurate picture and the present place of Soviet military power in this picture is clearly seen. I think that this position must be changed on the basis of long-range political interests. Military power must correspond to the geopolitical realities. In other words, it seems very important to me to strive for a situation in which Soviet military power will be directed not *a priori* against someone and shoulder to shoulder with someone (which usually has virtually a mystical nature and is quite remote from corresponding to reality), but will become an equal element of our new flexible but purposeful foreign policy, that is oriented toward lowering the level of the military threat and toward the creation of truly constructive international relations.

It is obviously also necessary to take a new look at the problem of alliances. Military power cannot in any way be replaced by natural alliances, i. e., alliances that are based on long-term interest in one another's stability and prosperity irrespective of the degree of the external threat. All postwar alliances (especially NATO and the Warsaw Treaty Organization) have specifically been created under its influence since then. But it must not be concluded on this basis that they are unnatural. If

positive changes continue but the level of military confrontation in Europe substantially diminish, there will inevitably be profound changes in the hierarchy of NATO and Warsaw Treaty Organization tasks that may also affect their structure, nature, and configuration. In NATO, for example, there are many who think that the political significance of this union will grow as the role of the military factor diminishes. I think that the same path would also be correct for the Warsaw Treaty. Under the new conditions, timely evolution of such a type could play a very positive role. Of course, perestrojka in Soviet military preparations will also have to take this turn of events into account. There is absolutely no necessity that military collaboration be a "central" point of joint activity. What will take its place is another problem requiring special analysis.

I would like to note that the time has come in both Eastern and Western Europe to discontinue brushing aside the term "Finlandization." While this suits some countries and not others, Finland's experience—both politically and economically (especially under the new conditions) appears indisputably positive and deserving of the most attentive analysis. But we should also not forget the reliability of the Finnish border and the lack of numerous torturous problems in respect to this country.

The new structure of international relations may lead to *de jure* and *de facto* alliances while not necessarily changing the composition of military power in the process and hence not every trend of this type will immediately tell upon the Soviet Union's military activity. The reference point will not by any means be whether or not the USSR will be a participant in one or another alliance.

Generally speaking, the awareness that by no means everything that is done in the military sphere in the world is always directed against us, is geared toward us, or is solely connected with us is one of the very important considerations from the standpoint of the nation's foreign policy interests. Such a view is a kind of anachronism, a rudiment of a bipolar world that has disappeared into the past for all time. This is how it always is or almost always has been. To accept this situation in such a way today means ignoring many obvious realities.

For example, as has been entirely correctly noted, West European military integration (we will not go into its other characteristics here) is connected not only with East-West relations, but with West-West relations and, on an ever increasing scale, with North-South relations as well. The possibility is not excluded that the lower limit to the military activity of West European countries will be determined by this line.¹⁵

The situation in the Asian-Pacific region (ATR: aziatsko-tikhookeanskiy region) also requires serious reappraisal. Naturally, there are certain elements that alarm us about the American military present in this region. But in my view they are entirely offset by the previously discussed factors that deter any large conflict. Indeed it is difficult to imagine that the West is not making preparations for

an aggressive war but that the East is making such preparations. It is entirely obvious that with such a state of affairs, Europe (or conversely, Japan) would simply be in the position of hostages. It is also necessary to take something else into account. Ya. Nakasone was entirely right when he defined the military balance in the ATR as an eastern miniature—"several thin and indeterminate strokes with an empty space between them"¹⁶ (unlike the existing situation in Europe). The rapid development of many countries in the region may be accompanied by many different variants for filling this void. Is it important to maintain stability here? It is extremely important. But after all, the American military presence specifically performs certain functions in this regard. This is explicitly stated, for example, by Lee Kwan Yew, Singapore's prime minister. Nor can one ignore the view that the formation of a "vacuum" in the ATR might mean the rapid doubling or even trebling of Japan's military spending. But would this in turn mean an increase in instability in view of the general picture in the region? What is more dangerous to the USSR? Where is the threat more real? And above all, must we tortuously and hopelessly attempt to fill the void in the military balance?

Therefore our military power in the ATR must to a much greater degree correspond to our real positions in this part of the world.

Of course, the list of situations requiring a new approach to the evaluation of the impact of "external development" on USSR military preparations is by no means confined to the cited examples.

And so there is one more area where we must abandon stereotypes (which, of course would be desirable in general). We must do so without going from one extreme to another but with a clear understanding of the relative pluses and minuses.

This is directly adjoined by one more problem—the degree to which military power can compensate other "components of influence" and serve as the basis for the long-term strengthening of positions in the world. Judging by everything, our experience in the '70's created a very distorted view of its potential. At one time it seemed that the true means of strengthening our influence had been found: directly or "through representatives." But the time has come to pay the bills. And how incredibly difficult it is to make these payments! The lesson must be remembered—military might can never take the place of economic and political components and its foreign political potential is ultimately very limited in our time. It is also necessary to draw further practical conclusions from what has happened and hence to reduce not only the military presence but the arms trade as well. Even its purely instantaneous benefits are questionable and the general losses—economic and political—are enormous. The fact that according to Western estimates, the Soviet Union is the world's largest arms supplier does not make us more influential and does not win us reliable friends, because they need not only

weapons but also loans, technology, and food. But when all these are combined, it is another matter. Generally speaking, the sale of weapons and licenses for their production must be eliminated altogether (except for certain special cases) from this list before it is too late, before the situation gets entirely out of hand.

This is one more facet of the military reform in our country and it is one more very important point on the agenda of negotiations with the West.

When we speak about the problem of "military power and foreign policy," we inevitably encounter the degree to which interaction between them considers the fact that the postwar era has ended.

Naturally this does not mean the virtually automatic repudiation of all agreements and realities, that are discussed by H. Kissinger, for example, associated with the end of World War II.¹⁷ But a fundamentally different, political, and military "space" has been unquestionably created (after all, it is itself in large measure the result of the war), in which the division into victors and vanquished is of a very conditional nature if only because it is entirely inappropriate to the concepts "strong" and "weak" in their modern interpretation that necessarily includes the category of economic prosperity and scientific-technical leadership. I believe that if we seek the reference point of the end of the postwar era, it will prove to be specifically the period in which this inadequacy appeared and strengthened in combination with the irreversibility of West European integration and the advent of other new growth poles in the world.

Therefore, military power which formed over decades in our country and in the West according to the "postwar" scheme must invariably undergo serious structural and vector changes in order that it also become an organic element of the new space.

What are the main properties of this power? What does it need to acquire such organic nature? I think that the answer already exists: defensive sufficiency. Moreover this is sufficiency that is based not only on the new evaluations of the required number of divisions, equipment, etc., which are, of course, very important. But as historical experience shows, no government, no general staff since the beginning of the century has been able to correctly calculate the forces that are really required or, above all, to correctly understand the significance of the political situation, the significance of what is "written" into it, and how military preparations influence the situation. Therefore the discussion must be of defensive sufficiency in which the restructuring of the armed forces is in full unity with the most important reality of our time—the impossibility, senselessness, and criminal nature of military conflict between East and West.

I do not belong to the number of optimists who believe that peace and tranquility will reign on earth in the foreseeable future. The road to this will probably be long and tortuous. Therefore it is so important that the country approach already existing, extremely acute

global problems and possible aggravated situations as a fully equal, active participant in a community of many highly developed countries, including the military aspects of its activity. Foreign policy in the post-April period has been oriented toward attaining this—it can be said without exaggeration—important historical goal.

The period of guaranteed security must be used in the foreign policy sphere to effect this "integration," this decisive change in the character of interrelations. Then all development during and beyond the 10-15-year period of time will look different and the boundaries of security will be expanded (on a continuing basis) not only by our internal conditions that were discussed above, but by the general change in our international position and status as well. Military power should be a help rather than a hindrance (albeit occasionally involuntarily) in this area.

Thus the characterization of power, the content and form of the decision-making process—all this must correspond to the goals, tasks, and priorities of foreign political activity. Otherwise the erroneous impression—fraught with grave consequences and failures—might be created that military power has a political function of its own and this, of course, is inadmissible.

In the relatively recent past, the struggle between the two systems was considered the basic content of the epoch and the so-called class nature of foreign policy led us into impenetrable jungles (in both a literal and figurative sense). Strictly speaking, it quite soon developed that military power was the principal and later on virtually the only instrument of this struggle and this foreign policy. The results are common knowledge. We fortunately came to understand that this is a road that leads nowhere and that our country and our ideas deserve a better fate and better argumentation. This is also one more proof of the need for extensive military reform.

Thus, the question is: military power—how much, what kind, and why? Realizing that my answers will of course be incomplete and will by no means satisfy everyone, I nevertheless propose my own variant. How much—no more than the level required to protect the country's vital interests in accordance with the character of real threats and economic potential given the transition to the principles of defensive sufficiency and the lack of political, economic, and other potential and motivation on the part of both West and East to engage in a conflict that is both suicidal and senseless (even with the hypothetical possibility of survival). What kind—flexible, mobile, with clearly expressed priorities of development, capable of reacting promptly to changing situations. Why—to secure the comprehensive participation of the country in peaceful development processes and in the support of the principal directions of foreign political activity.

Military reform is unquestionably just as essential as reform of the political system and the economy. External conditions favorable to military reform are taking shape:

in addition to the long-range obligations and factors that were already described above, we cannot fail to see other, entirely tangible manifestations of this fact. The USA has cut its military spending 5 years in a row and signs of favorable change in Europe and Asia are gradually multiplying. While nothing in this world is free of ambiguities, further steps of the USSR in the already chosen direction will dramatically accelerate positive changes today and secure positions worthy of us tomorrow.

The biggest risk today is to change nothing, to stop, deciding that a sufficient amount has already been done (there is such a point of view). A great politician in the last century said that the most unpleasant thing is to make a decision and that the most dangerous thing is not to make a decision. Our country today has with its own hands created a chance for cardinal change for the better everywhere, including the military sphere. We must use all 100 percent of this chance.

Footnotes

1. See "The Military Balance. 1987-1988," London, 1987. I do not address this question in greater detail because it has been very competently dealt with in a number of publications, in particular in the journal MEZHDUNARODNAYA ZHIZN.
2. See "Soviet Military Power," Washington, 1988, pp 34, 38.
3. S. G. Gorshkov, "Morskaya moshch gosudarstva" [State Naval Might], Moscow, 1979, p 276.
4. *Ibid.*, pp 411-412.
5. See MEZHDUNARODNAYA ZHIZN, No 1, 1984, p 66.
6. See KRASNAYA ZVEZDA, 13 April 1989.
7. See PRAVDA, 13 March 1989.
8. See MEZHDUNARODNAYA ZHIZN, No 3, 1989, p 41.
9. See C. Levin, "Beyond the Bean Count," Washington, 1988, pp 24, 25.
10. Calculated according to: "Budget of the United States Government" for the respective years.
11. See "American Defense Annual. 1987-1988." Ed. by J. Kruzell, Lexington, (Mass.), 1987, p. 65.
12. See, for example, KOMMUNIST, No 4, 1989, p 116.
13. For more detail, see "Voyenno-ekonomicheskiye svyazi stran NATO" [Military-Economic Relations of NATO Countries], Moscow 1988, pp 222-224.
14. H. Seki, "The Asia-Pacific in the Global Transformation," Tokyo, 1987, p 35.
15. See ME I MO, No 2, 1989, pp 106-107.

16. THE ECONOMIST, 24 December 1988, p 48.

17. See THE WASHINGTON POST, 16 May 1989.

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Case Made for Soviet GATT Membership

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[Article by I. Artemyev, candidate of economic sciences, section chief at the Institute of World Economy and International Relations (IWEIR) of the USSR Academy of Sciences, and S. Stankovskiy, candidate of economic sciences, IWEIR research assistant: "GATT and USSR Interests"]

[Text] The General Agreement on Tariffs and Trade (GATT) is a multi-faceted agreement which has been in effect since 1948. It contains basic principles, standards and rules for government regulation of foreign trade to which participating nations have committed themselves to adhere. At the same time, GATT is a major international organization within whose framework participating nations conduct negotiations and consultations and pursue unofficial contacts regarding international trade problems and the development of a coordinated approach to foreign trade policy.

I

There are 96 nations currently participating in GATT with full rights and privileges—practically all the developed capitalist countries, many of the developing nations and several socialist countries.¹ In addition, GATT includes 57 observer nations, chiefly from the developing countries (half of which have de-facto status with the organization as a result of having achieved independence from a colonial-power member) and certain socialist nations.² Thus, in one form or another, more than 150 nations participate in GATT activities and account for over 90 percent of the volume of world trade. Just 17 countries (mainly small nations) have no connection with the organization. Of the 100 largest nations engaged in international trade, only three have no official ties with GATT—the USSR, GDR and Taiwan.

The general agreement consists of articles dealing with such principles of international trade policy as most favored nation status, non-discrimination in trade among GATT participating nations, the use of customs tariffs instead of quantitative restrictions, preferential status afforded the developing countries, the conduct of consultations and negotiations to resolve trade disputes, etc. The agreement also includes supplements and appendices indicating trade policy compromises made by member nations during the process of negotiations. GATT structure enables the organization to be seen as

an entity of joint rights and obligations afforded its members with respect to international economic policy. These are reviewed and supplemented periodically, depending on the results of consultations and negotiations.³

GATT differs from other international organizations by virtue of the flexible nature of the understandings upon which it is based. The interchange of rights and obligations within GATT is viewed as a contractual understanding among states (similar to commercial contracts effected by private enterprises) and participating countries are termed "contracting parties," not "members" of the organization. In order to call into question the activities of a GATT participating nation, it must be shown that such activities are incompatible with obligations the country has undertaken in accordance with the agreement.

If a country tolerates activities incompatible with contractual obligations to the other parties, the latter have the right to restore the balance of their rights and obligations respecting this country and require compensation in the form of trade or political concessions, or they may take responsive measures.

Multilateral rounds of negotiations comprise one of the basic mechanisms of GATT activity used to develop new standards for state regulation of international trade and review old measures. For a long time GATT participants devoted their chief effort towards the lowering of customs duties and GATT has achieved its greatest success in this regard. After seven rounds of negotiations the average level of customs duty levied on participating nations was lowered from 25-30 percent at the beginning of the 1950's to 5 percent in the early 1980's.

But with the increased role of all kinds of non-tariff international trade restrictions and the rapid development of new forms of world economic trade, GATT's sphere of specialization underwent significant expansion. The seventh round of talks (conducted in Tokyo 1973-1979) resulted in the conclusion of agreements on such issues as production standardization and certification, anti-dumping policies, government purchasing, import-licensing procedures, customs appraisal of goods, export subsidies and levying compensatory duties on subsidized goods.

Steps were taken at the eighth round of talks which opened in 1986 in Uruguay to further expand GATT jurisdiction. The agenda included matters related to regulating international trade in services and the trade aspects of protecting intellectual property and investment policy. Broad discussion is being devoted to lowering international trade barriers which exist not only between nations, but within them as well.⁴

The broad spectrum of issues now under discussion—new areas for GATT, for the most part—has made these negotiations especially difficult. This was evident at the conference of ministers conducted in December 1988 in Montreal, which was supposed to sum up intermediate

results for this round of talks. Due to sharp differences, however—especially with regard to the repeal of agricultural subsidies, liberalization of textile trade, regulation in the use of protectionist provisions and protecting intellectual property—agreements achieved in other areas in Montreal were not acknowledged as valid. Another three months of negotiations were required before an understanding could be reached. Multilateral negotiations were renewed in April 1989 in Geneva following the Uruguay round.

In spite of serious existing differences, negotiation participants share common interests which encourage maximum disentanglement of world trade from obstacles which would restrain or distort its development. Many experts predict that the Uruguay round will have a very significant effect on increasing the volume of trade. According to Georgetown University professor G. Hofbauer, for example, the abolition of customs barriers alone could lead to a 150 billion dollar increase in world export volume, an amount which comprises six percent of the world's trade. Effecting agreement in reducing the above-mentioned non-tariff barriers could yield an additional 250 billion dollars and liberalizing trade in services—50 billion more.

II

As the role GATT plays in regulating world trade increases, as the organization's authority comes to extend over all key aspects of world economic relations (to trade in services, technology and capital in addition to trade in goods) and as the Soviet Union becomes increasingly involved in international economic matters, the question arises as to the feasibility of our country joining GATT. What benefits would actually accrue to the USSR from participation in this agreement?

The chief advantage, it would seem to us, would lie in its effect on Soviet internal processes. USSR entry into the organization, whose activity is aimed at developing rules for competition in world markets, would provide an additional stimulus in accelerating economic reforms and facilitate a more consistent repudiation of administrative-command methods. Participation in GATT combined with economic regulatory measures, increased economic independence of enterprises and associations, and expanded rights for cooperatives, would facilitate greater openness in the Soviet economy and enable its fuller integration into the international economic arena.

Practically speaking, participation will mean primarily a gradual change in the "hothouse" conditions Soviet enterprises are currently working under, by permitting GATT-regulated competition from foreign firms in our domestic market. Introducing a realistic exchange rate for the ruble and gradually effecting its transition to convertible currency, developing economically effective customs duties, and implementing other measures will enable us to make our production costs commensurate

with world production costs and create equally competitive conditions for Soviet enterprises on the domestic and international markets.

Reform of the foreign economic mechanism, in conjunction with USSR participation in GATT, will also aid in the transfer of state enterprises to a system of true economic accountability, where identical criteria will be used to evaluate domestic economy and foreign trade operations. This will force many enterprises to work more energetically. Most importantly, it will cause them to expend effort for the domestic as well as the foreign consumer. In this regard, the extent to which Soviet enterprises and cooperatives are "spurred on" and the degree to which they are involved in world competition will depend not on the desires and directives issued from above, but on world market conditions and on how these enterprises observe the regulations required by GATT participation.

Participation in GATT will enable us to overcome a whole number of discriminatory obstacles in the way of USSR exports to certain Western countries. According to conditions of the agreement, all GATT-participating countries will have to afford the USSR most-favored-nation status. If one of them does not, then it will have to justify its refusal within GATT. The introduction of any discriminatory measures against the Soviet Union contradictory to GATT regulations would put the perpetrator at odds with all the contracting parties.

Non-participation of the Soviet Union in GATT hinders its adherence to conventions regulating the application of various (primarily non-tariff) foreign trade measures, the benefits of which accrue only to nations which are signatories to such conventions. Under conditions in which the forms of international economic dealings are constantly changing and new problems constantly appearing, rapid changes are being seen in international as well as domestic instruments and methods of regulating world trade relations. GATT membership will give the Soviet Union a vote at working-group meetings of the organization at which these are drawn up.

Additionally, participation in GATT will enable the Soviet Union to obtain regular information on the foreign economic policies and intentions of governments whose actions affect USSR interests in the world market. Information with respect to how their policies are structured and what conflicting and shared interests exist among the partners will permit the USSR to better formulate and implement its foreign economic strategy.

Of course, entry into GATT will bring not only benefits. It will also impose serious membership obligations and limit the member's freedom in selecting means through which it regulates its economic relations to those which do not violate the general agreement. The Soviet Union will be obliged to extend most-favored-nation status to all GATT participating nations, refrain from increasing

customs duties, the level of which must be agreed to upon joining, and limit its application of non-tariff barriers.

The Soviet Union will have to follow procedure as established by the organization for settling trade disputes. Insofar as GATT regulations prohibit the planning of bilateral trade to avoid affording a trade advantage to one country or another, the USSR will be forced, apparently, to reexamine its use of this practice. Entry into GATT will require that information be regularly provided on the structure of managing the national economy, for foreign trade dealings in particular, on trade and customs policies, on the state of foreign trade, and on preferential trade practices and benefits directed towards other countries.

The obligations here enumerated should not be seen as unjustified encroachment upon USSR sovereignty in the implementation of foreign trade policy. To achieve more comprehensive integration in the international division of labor and be able to participate more fully in the world marketplace, it is necessary to observe the rules of the game as they have been adopted by the majority of participants. Insofar as GATT obligations are reciprocal in nature and agreement provisions are directed towards eliminating protectionism and expanding international trade among agreement participants, it would appear that the advantages of USSR entry into GATT immeasurably outweigh the disadvantages—but only under the condition that Soviet enterprises significantly increase their competitiveness, especially in the finished-articles market.

III

In order to participate in GATT, it is not sufficient that a specific country merely desire to do so. The concurrence of all is required, primarily that of the major contracting parties (U.S., European Community, and Japan). Two obstacles stand in the way of USSR acceptance into the group. One consists in the efforts of a number of capitalist countries who occupy leading positions in GATT to prevent USSR membership. The other involves a certain lack of conformity between the existing USSR economic mechanism based on directed state planning and the GATT principles which presuppose freedom of action of market forces.

The desire of certain Western countries not to allow Soviet membership in GATT is related chiefly to apprehension that the USSR might strive to slap together a bloc of socialist countries and engage in activity based on political, rather than economic and trade considerations. This would complicate the work of the organization. In addition, participation in GATT would comprise an official acknowledgment by the West that fundamental changes have taken place in the Soviet economic mechanism. The United States and its allies believe the USSR is still a long ways away from managing a truly independent economy. Finally, there are certain circles which feel that any association with international organizations

will facilitate prestige enhancement of the Soviet Union in the world economic arena, and this will not serve Western interests.

Of course, USSR membership in GATT will compel the West to consider Soviet foreign economic interests in the development of international regulations for world trade within the jurisdiction of the organization. It would be a mistake, however, to think that the Soviet Union sees in GATT a means of obtaining certain political dividends. For the USSR, GATT "is one of those international mechanisms which can...and should be used to unite the efforts of all countries in improving the health of world economic relations."⁵ Under today's conditions of the unprecedented development of international economic activity, coordinated regulatory measures are vitally necessary to guarantee comprehensive and unhindered progress in this sphere. The USSR looks upon GATT, with its jurisdiction and record of fighting protectionism, as a forum for drawing up such measures and not as a platform for political declarations.

Fuller integration of the USSR in the world economy and Soviet participation in GATT will also provide the West far more advantages than disadvantages. The greater the extent to which the USSR becomes involved in international economic activity, the more actively it will participate in the resolution of international economic problems, the greater will be the guarantees preventing exchange rate fluctuations on the "open economy," and the more stable will be economic East-West ties as well as political and military detente.

The USSR occupies an important position in the world markets for supplying energy, precious metals, foodstuffs, timber, certain varieties of industrial equipment and rolled steel. It is possible that it will play a more active role in the very near future in other areas as well, including trade in services. If USSR activity in these markets becomes regulated by GATT rules it will be in the interest of all.

Participation in GATT will provide an internationally recognized legal basis to competition among foreign firms on the Soviet market. Strict observance of agreement regulations by the Soviet Union will make it impossible for economic competition to be won on the basis of anything other than commercial considerations. Finally, foreign governments and firms will gain access to economic information concerning the Soviet Union according to adopted GATT standards.

We should now address the incompatibility between the economic mechanism of a planned economy and GATT principles, which is used more often than not to argue against USSR participation in the organization. Such argument often conceals purely political considerations and the desire to prevent USSR membership in international economic organizations such as GATT, the International Monetary Fund and International Bank for

Reconstruction and Development. Where do Western experts see the conflict between GATT and a centralized, planned economy?

GATT activity is directed primarily towards comprehensive development of international trade through the lowering of tariffs, application of the principle of most favored nation status for partner countries and equal treatment of foreign and domestic production, the lowering of quantitative restrictions, and efforts to prevent dumping. Historical development has shown, however, that in the majority of countries where an administrative-command system has been in effect, tariffs were not an effective instrument in regulating trade. There was no link between external and domestic pricing. State enterprises made decisions regarding exports and imports in accordance with allocation schedules and funding as passed down from above, not in accordance with the cost or quality of the goods. The system of most-favored-nation status, therefore, seemingly providing for identical customs treatment for all countries, in fact permitted an administrative-command system to practice hidden discrimination against foreign goods.

The principle of equal treatment accorded foreign and domestic goods is directed towards avoiding the use of internal taxation and regulation of production, avoiding assessments to protect domestic producers. However, countries having an administrative-command system have been monopolists, as a rule, with respect to exports and imports. This has given them the opportunity to discriminate between foreign and domestically produced goods, and among supplier states, showing preference to certain countries over others. In addition, export prices for production were established without any link to production costs, because it was impossible to compare them using any realistic hard currency exchange rate.

Unfortunately, the arguments enumerated above are justified to a significant degree. The system of administrative-command management of the economy instituted in the Soviet Union in the 1930's does not belong in the GATT structure. And the USSR failed to respond to past proposals that it join GATT (in the mid-60's) or join in one of its rounds of discussions (in 1973).

With a command-administrative system, the Soviet Union would not be able to fulfill its obligations with regard to joining the agreement. GATT entry requires more than recognition of its charter documents and payment of appropriate dues. A country must obligate itself to bring its national laws and regulations into conformance with GATT provisions and other agreements as well which have been drawn up within its framework.

In becoming a contracting party to the agreement, a country is considered to have signed a contract with its partners regarding the exchange of rights and obligations dealing with the instruments of state trade policy to be applied. However, these instruments differ in the case of a command as opposed to market economics system.

Command system instruments consist of an order in the form of a compulsorily executed plan. Market system instruments include tariffs, taxes, subsidies, exchange rates and other indirect regulatory measures. Consequently, acceptance by any party of obligations dealing with regulatory instruments unrelated to its system would be tantamount to insuring their non-fulfillment. Today, however, the situation is beginning to change.

IV

Economic reforms in the Soviet Union are directed towards achieving a comprehensive expansion of the economic independence of enterprises, the development of market forces, and a transition from rigid, centralized planning to a regulated national economy using economic instruments. In this regard, the Soviet economy remains a socialist one, but this should not serve as the basis for precluding GATT participation. The issue of a country's conformance to the standards of the general agreement is a question involving the economic mechanism, which may or may not follow GATT principles regardless of whether the form of ownership is predominantly public or private.

Consequently, the question should be applied to the Soviet Union in this manner—are the reforms being carried out changing the economic mechanism to the extent that the chief instruments used by GATT participants in regulating international economic relations will actually influence decisions made by Soviet enterprises regarding foreign economic activity? In other words, to what degree are the export and import operations of Soviet enterprises determined by costs, rates of exchange and customs duties, and to what degree are they determined by departmental directives and allocation schedules?

It is extremely important to judge how the foreign economic activity of economic entities "dovetails" with their functioning in the domestic market. Can enterprises independently manage their resources and decide what should be designated for the domestic and what for the foreign market? Can they determine their own export and import plans guided by relative-cost considerations, or are these plans formulated according to the residual principle? Finally, what shapes their production costs, upon which export prices are based and which determine the required competitive-pricing level for imported products?

The law on state enterprise secured the right of Soviet economic entities to manage their resources independently and operate on principles of complete self-recoupment and self-financing. Industrial and agricultural enterprises thus obtained administrative, financial and personnel-management independence. The activity of cooperatives is expanding as well, in which the capital belongs entirely to their founders. A wholesale market for the means of production is beginning to be formed which will facilitate the flow of capital investments between branches and thus aid in the struggle against

departmental monopolism, i.e., against the Soviet version of restrictive business practices. Wholesale-price reform remains to be accomplished and the entire mechanism of price formation remains to be transformed. However, we are already seeing the practice of using "agreed price" as well as other prices established to replace centralized ones. Glasnost in economic policy is being expanded and a pluralism of economic forms is being developed (leasing arrangements in agriculture, cooperatives in production). Since 1 April 1989 Soviet enterprises and production cooperatives have enjoyed the right of independent access to external markets. If they so desire, however, they may turn to specialized foreign trade organizations. All economic entities may have hard-currency accounts. Practically every enterprise and cooperative has the right to organize a joint enterprise with a foreign partner. Restrictions have been lifted with respect to allowable participation by foreign corporations in such a firm's overall capital. The basic instruments for regulating export and import operations are becoming customs duties, licensing and quota establishment, technological and ecological standards, medical and sanitary inspection measures.

The task remains of moving away from differentiated hard-currency coefficients in conflict with GATT standards to a single, true rate of exchange for the ruble which will link foreign trade and domestic prices. As a result, export prices will be formulated based on production costs and import prices—on the world price plus tariff. A realistic exchange rate for the ruble will make it possible to introduce an effective customs duty. This will begin to act as a filter of import demand, insofar as the customs tax will be paid by the end user of imported production. In this regard, either the importing enterprise itself or a cost-accountability foreign trade intermediary will be the direct paying agent. Such an intermediary will impose a tax in the amount of commissions collected from the end user of the imported product. A new customs duty is planned to come into effect in 1991 based on the cataloguing adopted by a majority of countries in the Harmonized System of Description and Coding of Merchandise.

The Soviet Union is experiencing a transitional phase during which new economic regulatory measures coexist with the old administrative-command measures. A great deal still remains to be done before enterprises achieve genuine economic independence. There is not yet any guarantee that the proclaimed rights of enterprises in the foreign economic sphere will be implemented in the internal economic mechanism. An unbalanced internal market is inflating state requisitions and is in fact legitimizing "residual" allocation of funds for exports. A wide gulf is being maintained between domestic and world market prices with the ruble's rate of exchange so far removed from reality. As a result, there is no basis for trustworthy estimates of relative expenses and profits. Apparently we can hardly expect introduction of the convertible ruble in the near future—this is seen as a long-term task.

In spite of all the difficulties, sluggishness, and at times backward movement seen in restructuring the internal economic mechanism and foreign economic ties, it is apparent that the transformations currently underway are facilitating a rapprochement between the Soviet Union and GATT. Reform of the economic mechanism is proceeding in general conformance with the operating principles of this organization, based on economic independence for world trade agents and the application of economic methods of state regulation in matters of domestic and foreign trade. In addition, Soviet economic policy directed towards achieving modernization, including efforts to integrate the Soviet economy into the world economy, share the same aims and tasks as GATT: comprehensive development of the world market, and participation in international trade by all countries striving to achieve greater openness and eliminate restrictions and discrimination.

Something else is evident as well, however. The combination of a state-regulated market and public ownership might bring about economic forms which do not fit the usual ideas of Western economists. Apparently the new economic mechanism will not immediately be able to remove the "birthmarks" of the old administrative-command system. Finally, the concept of a socialist economy as an administrative-command system is rooted too solidly in the West (for which we too share the blame, without a doubt).

And so there will be a certain skepticism with regard to the compatibility of a socialist economy with GATT principles which will not immediately disappear. But does this mean a relationship mutually beneficial to both GATT and the USSR cannot be established? "If the West...is interested in including the USSR in the world economy, then there should be some movement to come together," M. S. Gorbachev stated at a meeting with representatives of the Trilateral Commission. "We invite you to discuss, for example, the question of establishing relations with international economic organizations. We, the Soviet leadership, are on the path towards making a decision in principle. But understanding and responsive measures from the other side are necessary. We cannot immediately accept the rules for participation in the International Monetary Fund or International Bank for Reconstruction and Development, etc. That is an objective fact. But the West must also adapt to such an economic partner as the USSR... Most importantly, the West must eliminate the bans and restrictions it has been adhering to so stubbornly..."⁶

V

On 12 August 1986 the USSR officially applied for participation in the new round of multilateral trade negotiations within the GATT framework. In this regard it was proceeding on the precedent set by the previous round conducted in Tokyo, which was open to all countries.⁷ The Soviet application included the aims it desired to pursue in the negotiations: to facilitate improvement in the political aspects of international

trade; to broaden the scope of Soviet trade with GATT partners; and to gain experience participating in GATT operations which would be necessary to effect membership in the agreement, taking into account the restructuring of the Soviet economy and foreign economic ties.

The Soviet application was delivered to conferees at a special GATT session conducted in September 1986 at Punta-del-Este to open the Uruguay round of talks. But session delegates "could not find the time to examine it," and the declaration they adopted prescribed conditions for participation in the talks just begun in such a manner as to preclude from joining in just two countries who had stated their intention to do so—the USSR and Bulgaria (even though Bulgaria has observer status in GATT).

Behind this we see the negative stance taken by leading Western countries, primarily the United States, members of the European Community and Japan, regarding USSR membership in GATT. And although these countries have expressed good wishes regarding perestroika in the USSR, they have proposed that the Soviet Union apply to GATT upon completion of its economic reforms. The USSR well understands the importance of reform in this regard, but also realizes that the country is not yet ready to undertake the obligations proceeding from full organizational membership. Incidentally—and this must be emphasized—it is for precisely this reason that the Soviet Union has not requested status as a contracting party to the agreement, considering such a request premature.

Does this mean that some other kind of USSR involvement with GATT is impossible at this time? We think not. GATT has a unique record going back many years of granting observer status to countries (unlike IMF and IBRD) for the very purpose of enabling a prospective participating nation to study the GATT system and its regulations, and allowing contracting partners to study the economic system and foreign trade policy of the observer nation. The granting of such status is seen as a first step in introducing a new country to the operations of the general agreement. Additionally, GATT offers three types of observer status—for sessions conducted annually, as a rule, by the contracting parties; for GATT executive council sessions conducted 8-10 times per year; and for committee sessions conducted within the framework of various provisions established during GATT's Tokyo round.⁸

Is it necessary for the Soviet Union to ask for observer status in GATT? Some experts believe it is not, that it would not be of any benefit to the USSR. In point of fact, an observer nation has no rights (or obligations) in accordance with the agreement, and the Soviet Union would therefore obtain no immediate political trade advantages as are enjoyed by the contracting parties.

At the same time, observers do have the right to attend sessions and conferences of GATT working agencies, albeit without a vote. They may make statements and

participate in discussions after the participating countries have made their presentations. Observer nations may receive GATT documents and materials and send trade policy experts to qualification-enhancement courses conducted under the organization's auspices. They may consult specialists in the GATT secretariat to insure that reforms underway do not contradict GATT standards and principles. Establishing contact with GATT through the only form of association currently possible—observer status—can definitely preclude actions which might lead the Soviet economy away from the international trade system and can facilitate the process of drawing the Soviet economy into line with the world economy.

GATT regulations do not exclude the possibility of joining the organization without first obtaining observer status. However, not a single socialist country has joined in this manner. The USSR hardly has any basis for being able to expect especially favorable treatment on the part of the contracting countries. In declining to request observer status in GATT, and in view of its present unpreparedness to join as a full-fledged member, the USSR is denying itself the only possible official form of association with the organization, and is cutting itself off not just for one year, but for several, if not for decades, from an organization which embodies the international trade system.

Another matter is the fact that acquiring GATT observer status has now become extremely difficult as a result of actions taken by the United States and its close allies. In 1984 the United States unofficially introduced a proposal into the organization requiring a stricter approach to the granting of observer status (there were "too many observers," with no obligations or expenses incurred as a result of their participation).

In spring 1986 the question was officially raised at GATT council sessions by the United States and the European Community regarding stricter regulations in the granting of observer status. It was proposed that the term of such status be limited, that observer countries be obligated to contribute to GATT operating expenses, and that they provide information on their foreign trade and trade policies. It was proposed that the practice of accepting new observer countries be suspended pending review of these matters by a special working group. Such a group was never established, however, because of protests from a number of the developing and socialist countries, and an official decision regarding observer status was never reached. Yet the United States and the European Community agreed unofficially to block the admission of new observer nations.

In accordance with GATT tradition, prior to requesting the granting of any status in the general agreement, a country must enlist the support of the main participants. For over two years now the Soviet Union has been conducting consultations with GATT member nations, explaining the tasks and goals of the economic reforms being carried out which are bringing the Soviet economic

system into line with GATT principles. However, the United States, Japan, and the countries of the European Community (with the exception of Italy, which has been friendly to USSR intentions) continue efforts to boycott any steps which might bring the Soviet Union closer to GATT. But it is possible that the stance taken by the leading Western nations will force the USSR to disregard tradition and submit an official request for the granting of observer status. Then how will events unfold? There is as yet no precedent in the history of GATT with regard to denying such status. It has been granted without restriction or reservation to all applying countries.

As a result of the current restructuring of the Soviet economic mechanism and emphasis on maximum integration of the Soviet and world economy, objective preconditions have arisen for bringing the USSR in line with GATT. Participation as an observer country would enable the Soviet Union to become better acquainted with the rules and operating standards of the international trade system and take them into account to the greatest extent possible while conducting its reforms in the sphere of foreign economics.

Any long-term benefits the USSR might accrue from participation in GATT will depend chiefly on two circumstances. The benefits will be greater, the more successfully perestroika is carried out. Conversely, the longer elements of a command-administrative system are retained in the national economy, the less receptive it will be to GATT influence. Minimal measures necessary to join the GATT organization include genuine economic independence of enterprises and associations, a wholesale market for the means of production, wholesale-price reform, a realistic ruble exchange rate, and a customs duty which is economically effective. Implementation of these measures would provide the basis for talks on joining GATT as a contracting party, i.e., as a full-fledged participant to the agreement.

How the long-term benefits weigh against the disadvantages with respect to joining GATT will depend to a significant degree on the conditions under which the USSR participates. GATT has an extensive and diverse history when it comes to the participation of socialist countries, a record which should be studied prior to submitting an official application for entry.

If the Western countries which play a significant role in GATT are truly interested in drawing the Soviet Union into the system of international trade, then they obviously must take steps to facilitate (and not hinder) the procedure for USSR entry into the agreement, upon which this system is based. With all the importance attached to the issue of compatibility of the USSR economic mechanism and system of foreign trade with GATT standards and regulations, the decision on granting approval is a political one. The main parties to the GATT agreement should exercise their good will, and not pursue a discriminatory approach.

Footnotes

1. Hungary, Cuba, Poland, Romania, Czechoslovakia and Yugoslavia.
2. Bulgaria, Vietnam, PRC, Laos. In 1986 the PRC and Bulgaria requested full membership in GATT.
3. For additional information on GATT history, structure, and operations, see I.I. Dyumulen, "General Agreement on Tariffs and Trade" (Appendix to BIKI [Bulletin of Foreign Commercial Information], No 10, 1986).
4. For details see "U.S.A.—Economics, Politics, Ideology," No 1, 1988, pp 20-28.
5. Response of M.S. Gorbachev to questions posed by UNITA newspaper (PRAVDA, 20 May 1987).
6. PRAVDA, 19 Jan 1989.
7. Several non-member countries participated in GATT's Tokyo round of talks and later decided not to join the agreement (Mexico, for example).
8. The third option applies only to countries participating in the Tokyo round of discussions.

INTERNATIONAL ROUNDTABLE

Further on 'Democratic Alternative' in Western Societies

Editorial Introduction

18160018c Moscow MIROVAYA EKONOMIKA I MEZH DUNARODNYE OTNOSHENIYA in Russian No 8, Aug 89 pp 58

[Text] We continue the publication of materials of the international roundtable. In this issue the readers' attention is focused on the remarks of J.-C. Le Scornet, leader of the Unified Socialist Party; K. D. Kholodkovskiy, doctor of historical sciences; head, Sector of Sociopolitical Problems of the Democratic Alternative (IMEMO); B. S. Orlov, doctor of historical sciences; head, Sector of West European Social Democracy (INION); and S. P. Peregudov, doctor of historical sciences; head, Sector of Intrapolitical Problems of Developed Capitalism (IMEMO).

New Directions for Social Reform

[Text] It seems to me that we can now speak of the defeat of the entire French labor movement politically and socially: we can talk about political defeat after the failure of the basic strategic project representing the union of leftists united around a "joint program"; we can talk about the social defeat following the large-scale restructuring of capitalism in the first half of the '80's.

There are even grounds for talking about the end of the cycle connected with the second industrial revolution. The restructuring has radically altered the nature of large

enterprises, has resulted in the erosion of a considerable part of the work force, and has caused a crisis in the sociocultural hegemony of the industrial proletariat. At the same time, the difficulties experienced by the labor movement are in large measure connected with the particulars of the consumer society of today.

The consumer society and the struggle of the working people

Frequently no thought is given to the objective and subjective consequences of the influence that society has exerted on the thinking and the sociopolitical behavior of the actual producers. This factor is nevertheless decisive for the understanding of the causes of the political and ideological defeat of the labor movement in the industrially developed countries.

It is unquestionably difficult to study the consumer society because of the particular complexity of the object of study. Mass production while meeting certain social and individual needs on the one hand is a major accomplishment of organizations representing the labor movement. The reference is not only to the satisfaction of material needs but also to the fact that the individual in a consumer society is in fact recognized as a free agent who has the possibility of satisfying his needs and aspirations even if his resources are limited.

The consumer society simultaneously confers the right to work and the right to consume, which is evaluated by individuals as a "semifreedom." At the same time, however, this system of production has a pernicious, alienating impact on the quality of the products of labor, water resources, and the atmosphere, on the physical and even psychological state of individuals and social groups, and on the "quality of life."

A consensus has existed and continues to exist in the labor movement concerning the consumer society. The working people instinctively strive to preserve what they have and this is frequently viewed by them from the standpoint of use value. Even though they obtained a number of real or imaginary advantages, frequently as a result of fierce struggle, they have become defenders of the existing socioeconomic order to a certain degree. While the objectively existing limits to what is possible, the risk, and the losses that are borne by the consumer society may of course be more or less obvious, nevertheless they are not perceived as unacceptable by the majority of the working people: they are viewed as the price that must inevitably be paid.

On this difficult but simultaneously principal question, the French Communist Party has shown insufficient decisiveness that has a most serious impact on the consciousness of the workers and the masses who lack the understanding that there can be another logic that is more convincing on an economic plane. Hence the inability to submit constructive proposals in the area of industrial restructuring and employment: they protect their attainments regardless of their character in the name of securing their labor rights even if the product

bears the name "Rafal".¹ It appears that no one in the party itself questions such logic, such a breach in "communist culture"...

On the "alternative social bloc"

How can the unity of the working class as a social force be restored? How can the trend toward stratification and dissidence be overcome? How can the contradiction between labor and capital be illuminated in a new light? Are we able to secure unity in the world of hired labor?

While these questions naturally retain decisive importance, nevertheless they continue to be far from reality and political needs. Indeed, the preliminary calculations from which the conclusions are drawn are based on the physical exploitation of working people at the enterprise. The belief is that the world of hired labor will be able to develop a political program "that unifies" specifically in the "crucible" of the struggle to satisfy its demands.

It seems to me that this classical concept of the formation of the alternative social bloc is guilty of economism to the degree that it is based exclusively on the economic functions of various social strata. The struggle at the enterprise basically resolves around wage questions and working conditions. Cannot these demands almost automatically lay claim to general political significance and act in the perspective that will make it possible for us to "walk into the future society that we wish to build?" In other words, is it enough to simply advance the struggle for the protection of labor rights to the forefront to determine the character of the "alternative" sociopolitical program that would take into account the entire multitude of contradictions inherent in modern society?

The complexity of the social process today compels us to take into account the limited nature of the influence of the economic sphere and to call attention to other social contradictions. The alternative program presupposes ascertaining the correlation between different types of contradictions. If, as Marx said, it is the economic sphere that "determines all other spheres," the invariable demand made upon the "modernization" program is that it also consider the importance of other values and demands (ecological, feminist, antiracist, pacifistic, etc.) in addition to economic values and demands.

Consequently the program that is intended to support the social majority must attract the great majority of working people. But the creation of the alternative bloc must be carried out in new forms and must not be based on alliances that would be the result of agreement between various forces connected with production: this program must reflect values that are not the main values for the present social and political forces which for the most part represent and defend direct economic interests.

If in determining objective and subjective driving forces behind revolution in the West we confine ourselves exclusively to the examination (albeit in the new interpretation) of manifestations of the contradiction

between labor and capital, it will be absolutely impossible to develop a program that would be a proper response to the challenge of the modern age. The drama of the French Communist Party consists in the fact that its social base is gradually disappearing and that the party is resisting this process only from a defensive, "conservative" position.

However the present rebels in the "communist family" ("renewers," "rebuilders") also have nothing in common if they do not reject a certain social determinism and do not most seriously take into account other prominent forces who are more and more actively making themselves known in modern society but whose significance is underestimated.

The contradictions of modern society

Let us inject a note of clarification: the contradiction between labor and capital is fundamental to the degree that it reflects in general form the dialectics of the economic process from the standpoint of the production of material goods. The economic vision of problems is dominant at the decision-making level. Political debates are exclusively concentrated on how to distribute social wealth resulting from the growth of the GNP: the bigger the pie, the more can be cut from it.²⁰ But this "paradigm" corresponds less and less to reality: the growth of production does not by any means necessarily lead to improved well-being and to more jobs. This does not to any degree diminish the political significance of the struggle for socioeconomic equality even if the GNP declines. However it should be noted that the material well-being of a very significant part of society depends directly not on the production process but to a significant degree on state intervention. This makes the present situation very different from the one that Marx knew and described. The contradiction between labor and capital is only one of the forms in which socioeconomic inequality is manifested. This contradiction is not the only one even if it is one of the main contradictions. There are also other contradictions if only because resources include the resources of family farms and especially the funds that the state disposes over and allocates for the financing of social policy.

Simply put, the contradiction between labor and capital acquires a partial but not general character, starting with the moment when the successes of the labor world do not any longer automatically rid society of other contradictions and forms of inequality (inequality between the sexes, racial inequality, contradictions between North and South, between countries possessing natural resources and countries that are producers of industrial goods, etc.).

Our task is to clarify the way in which these contradictions are intertwined and begin to lose their "specificity" in the new synthesis. This substantive remark also applies to the "green" party which has concentrated its attention exclusively on one contradiction—between nature and man. As a result, the "greens" are in the thrall

of a pernicious, narrowly partisan logic even though they themselves staunchly reject the sectarian logic of those who find the explanation to everything to like exclusively in the contradiction between labor and capital.

Party or movement?

Today, social movements representing various directions—including social movements connected with the production sphere and the service sphere—strive for the ever more direct participation in politics in the desire to be independent and not subordinate to oversight by any parties regardless of whether they are labor parties or not. When social movements acquire political character, the party can become a form of association only if authoritarian methods are employed. Hence the idea of creating a political force, a "movement," the form of which would make it possible to establish relations of a nonauthoritarian, "nonviolent" nature, is advanced as a counterweight to associations in the form of parties. Thus an association—be it even partial or temporary—becomes the concern of its actual participants who will also direct its activity themselves. The point at issue is thus the self-governing concept of political organization.

A modern political force that aspires to radical reform must recognize qualitative change in the world of labor and the complexity of the present social structure. It must discern the new, "secondary" contradictions of the present and make them "work for themselves." It must renounce all manner of hegemonistic practices.

The coincidence of views on specific issues that is seen among advocates of widely differing points of view resulting from various social contradictions presupposes that the cultures representing these different forces easily get along with one another in this unified political formation: the movement. Their unification is necessary so that the social reforms would be as deep, significant, and complete as possible.

It is specifically within such a framework that the modernization of communist theory or, more precisely, the recreation of the revolutionary theory and ideas of socialism, which, while not rejecting the legacy of the ideas of the Third International (and even the Second International and the Fourth International) would unquestionably be a step forward toward a postcommunist consciousness, could be conceptually and practically realized.

Democratic Alternative of Neoconservatism

[Text] The class view of democracy was an enormous scientific contribution by Marx and a step forward in the understanding of the political forms of social organization. This basic premise should have been subsequently developed in Marxist theory, *inter alia*, as a result of the inclusion of human, nonformational aspects of the problem in the sphere of analysis. In fact, the reverse has been the case: it, to the contrary, became narrower and dogmatized, especially under the influence of Stalinism, and became a popular stereotype. Today this broader

view of the significance and values of democracy, enriched by the nonformational approach that takes the general human content of democracy into account, is being revived in Soviet science.

Of course many Soviet scholars studying the political evolution of Western society had already witnessed the significant Westernization of social and political life in Western countries in the postwar period under the influence of class and other conflicts and the struggle of broad strata of the population for their rights and interests. This was primarily in the form of the growth of democracy in breadth—the collapse of dictatorships; the establishment of equal rights for women in countries where they previously had no voice in political life; and the creation of a network of “pressure groups” playing a prominent role in political life (trade unions should be identified in particular among democratic organizations). Democracy is growing not only in breadth but also in depth, in the affirmation—even if limited—of democratic principles in economic and social life. This type of democracy has become an integral part of the liberal-reformist model of government characteristic of 3 postwar decades. It is hardly possible to simply apply the term “bourgeoisie,” which originated in another era, to this democracy, which incorporates many political gains of the masses.

But when we talk about the current state of democracy in the West, we must also evaluate the new features that have been introduced here by neoconservatism. I think that such an evaluation must be weighed in dialectical terms. If at one time, the democratic alternative to fascism was a “frontal” alternative that categorically rejected all its approaches and conceptions, in the case of the democratic alternative to neoconservatism matters are much more complex.

Nor can we fail to consider the fact that it was specifically the ideologues of neoconservatism who most dramatically raised the question of combating bureaucratism that is smothering society, of “unburdening” the state of the functions that weigh it down, and of making its structure lighter. Under the neoconservatives there has been a definite redistribution of power in favor of civilian society. But in this latter respect, the emphasis has been placed on the growth of the role of the individualistic principle in accordance with the class nature of neoconservatism. In itself, the increase in the latitude for individual activism can also be a boon (we recall the growth of personal demands in the structure of the masses’ needs). Under specific conditions, it occurs at the expense of the partial dismantling of collectivist structures. As a result, democracy as such is narrowed to purely political [democracy]; a “market” model is also affirmed in it.

Together with state oversight, there is a slackening of public oversight over the action of economic agents, over economic development as a whole, and that is dangerous. Subordination to the logic of the market leads to the strengthening of the positions of economic giants, to

the social and political marginalization of those who do not fit within the framework of a “society of two-thirds.” Social payments, to which the citizen was considered to be entitled, are becoming a boon. The decline of many of civilian society’s institutions (trade unions, for example) promotes the strengthening of elitist and paternalistic structures.

There is obviously a clear social need to overcome the antidemocratic consequences of neoconservative policy. And since such a need exists, there must be forces, programs, and platforms that express it. Democratization would seem to be one of the leading directions of the burgeoning alternative to neoconservatism. It is clearly not a question of simply returning to the status that predated neoconservative government. Nor is this permitted by the state of the mass consciousness.

Experience shows that democracy can be defended only by improving and expanding it. Western democracy is based on a developed system of representative institutions. However there are numerous signs that there is much about it that no longer satisfies the masses. There are symptoms of alienation from politics. Protest is frequently generated by the actual principle of delegating authority, by its separation from civilian society, by bureaucratization, by the remoteness of the political sphere from everyday life, by the “coded nature” of political procedures, by the manipulation of people, etc. Naturally, the issue here is not only the actual bureaucratization processes but is also the increased demandingness of the masses. As a result of the rise of the educational and cultural level, the strengthening of personal dignity, and the development of civilian skills the working people are less and less inclined to follow leaders passively, strive for greater independence, and want to determine their own fate.

Of course the mass consciousness should not be idealized. Its search is frequently along a false road. In addition to dissatisfaction with traditional policy, the willingness to be satisfied with manifestations of the “theatricalization” of political life, with Americanized political shows is not so very rare. This unquestionably benefits the neoconservatives and we must not fail to take such a trend in mass consciousness into account.

But there are also other trends that can in general form be described as gravitation to different forms of direct democracy, of the direct expression of the will of the masses, of their direct participation in the resolution of specific political problems. In my view, it is not necessary to absolutize the potential of direct democracy. In today’s complex and unwieldy societies, it cannot be made the basis of a political system. It is impossible to get along without various forms of representation and delegation of authority. But under present conditions even the representative system cannot get by without elements of direct democracy. Representative institutions guarantee society against anarchy and its disintegration into component elements. But for that, direct democracy, being incorporated in one way or another

into the general building of representative institutions, insures the political system against bureaucratization and ossification. It injects new elements into the traditional forms of democratic organizations: promotes reductions in the size of the apparatus and the intensification of feedback forms and leads to the greater openness of the internal life of these organizations, to the weakening of the "ritualistic nature" of politics, to overcoming and "deciphering" the political language.

The optimal combination of representative and direct democracy is evidently the principle that clearly differentiates the democratic alternative from all variants of neoconservatism. This combination is especially important because no single alternative project of leftist forces can get by without recognizing the significant role of the state. But its fulfillment of this role is evidently impossible without substantial structural and functional changes directed toward overcoming bureaucratization and ineffectiveness. The decentralization of the decision-making process, the combination of regulation with the use of market mechanisms, the activation of civilian society, glasnost and democratization (*inter alia* in the very important sphere of institutions of functional representation)—all these are the general directions of such possible evolution.

Obviously this is the way many of the problems that have been raised in the process of perestroika and political reform in the Soviet Union are being raised in the West. Of course the movement there and here begins from different levels. We are still learning the rudiments of democracy. What is more, we simultaneously have to address the same complex of problems—from the establishment of society's control over economic development and the struggle against bureaucratization to the determination of the optimal combination of representative and direct democracy. Duplication of approaches and solutions is obviously inevitable. I believe that not only the experience of development of democratic forms and institutions in the West is beneficial for us but that our new experience can also be of interest to leftist forces in West European countries.

Social Democrats' Role

[Text] It is entirely obvious that a democratic alternative in Europe cannot be developed without the active participation of social democracy. Taking this circumstance into account, let us attempt to analyze the nature of the processes that are taking place in social democracy at the level of the value orientations that affect the fundamental behavior of the individual and of social groups. How are the relations between the social democrats and their principal political opponent—the conservatives—forming specifically at this level?

Many years ago, or more precisely in 1975 two ideologists met in the editorial offices of the journal SPIEGEL. One of them—Kurt Biedenkopf—represented the Christian democrats. The other—Horst Emke—represented the social democrats. The subject of the

meeting was the drafting of the two parties' programs. In the course of their talk, Emke named freedom, social justice, and solidarity as the principal value reference points of the Social Democratic Party of Germany. A. Biedenkopf answered him: we also have the same value reference points: freedom, social justice, solidarity. I should say that it took efforts by the representative of the SDPG to prove that the social democrats have a different vision of value reference points than the Christian democrats and that at that time I personally did not have the impression that Emke's arguments persuaded the journal's readers.

Why did I cite this example? We are not the only ones who have tended in the recent past to oversimplify the positions of our political rival. After conservative parties in a number of West European countries unseated social democrats (in Great Britain, the FRG, and certain other countries), social democrats naturally started criticizing the actions of neoconservatives, emphasizing their policy of "social revenge" and even "social dismantling." To be sure, the neoconservatives themselves provided the basis for this when they in turn criticized what they considered to be the excessive overloading of the state with social obligations.

However while effecting a certain restructuring of the state's social expenditures and while restraining the growth rates of their volume, the neoconservatives also confined themselves to this: they did not resort to "social dismantling." And they did not do so for numerous reasons, including following the sound logic that whoever is in power is not at all interested in aggravating social tensions in society.

Hence the conclusion that suggests itself regarding the strategy of leftist forces in Europe. The protection and representation of the interests of hired workers, including the socially infringed, are their first obligation. However they must consider the fact that even their political rivals did not resort to cutbacks in the existing system of social protection. The issue centered entirely on overcoming the trend toward social dependency. The social democrats also knew of the existence of the trend, but they closed their eyes to it, whereas the neoconservatives saw it as a sign of the decaying of society and did what they could to prevent, in their words, the birth of "social wards" (the expression of West German sociologist Shelsky).

This is already the second year that R. Darendorf, a well-known theorist of West European liberalism, has "buried" social democracy in his works. He proceeds from the premise that the social state system that formed after World War II became the norm of political life in Western countries and that consequently social democracy which placed the realization of this system at the basis of its political activity had exhausted itself. In Western society, new needs and new value orientations, to which traditional social democracy has no answer,

form under the influence of numerous factors, especially the computerization of production and the everyday life of people.

It is impossible to simply brush aside the conclusions of Darendorf who possesses keen social vision. Growing individualization in Western countries is obvious. The orientation toward the basic value orientations remains—such a value as freedom is increasingly placed in the forefront, while solidarity is no longer narrowly viewed as a means for the collective defense of social rights within the framework of the enterprise or branch but as a means of joint actions in defense of common human values, which is manifested with particular vividness during Easter marches. The prevention of thermonuclear war and ecological catastrophe, the improvement of the situation in the developing countries, and the search for an alternative way of life—such are the slogans of mass actions.

Here we see one more important point that must be taken into account in the formulation of the strategy of the left in Europe—the formation of new solidarity which expresses the growing individualistic form of its manifestation. It is not necessary to demonstrate in order to answer the demands of the conscience to respond to any injustice at any point on the globe which is increasingly girdled by a network of various kinds of communications. Anyone feeling such a need looks for possibilities of political self-expression. In the new social movements, including the “green” parties. In the liberal parties. And of course in social democracy.

Whoever does not detect changes in value orientations in good time sustains losses. This is what happened to the British Labor Party, for example: it has been abandoned primarily by members for whom “freedom” has acquired dominant significance among social democracy’s value orientations. In my view, the alliance of British social democrats and liberals offers much food for thought. It appears that the Laborites are trying to correct the situation. Principal attention in the published draft of the new program is devoted to securing “freedom.” Nevertheless the left wing of this party in its documents continues to give preference to the establishment of “equality,” to primarily protecting the interests of the socially infringed.

More flexible in this regard is the SDPG, which is trying to unite both new trends and views and expectations that are traditional to social democratic groups in the concept of a “united society,” even though judging by the discussion, this party is not having an easy time implementing this line.

I have already said that I see the role of social democracy in the development of world civilization to lie in its making the main contribution to the creation of the social state. Now, contrary to gloomy forecasts, it should get its second breath and, together with other European democratic forces, realize the truly historic tasks of creating in society conditions under which the “free

development of one is the condition to the free development of all.” Scientific-technological development and especially computerization create objective prerequisites for this. It is obviously necessary to enter into competition with neoconservatives for the realization of the “freedom” slogan and to make this slogan together with the “unified society” concept the basis of the “democratic alternative in Europe.”

Workers’ Role in Management

[Text] First of all, I would like to express my concern over the fact that we are beginning to develop a “cool” attitude, to put it mildly, toward the working people’s participation in production management and toward economic democracy in general.

It would seem that the prominent place that is assigned to self-management and production democracy both in party documents and in specific efforts directed toward the implementation of the adopted decrees provide every basis for optimism. In reality, however, this is by no means the case.

First, the attempt to implement self-management ideas is for the most part limited to the enterprise (association) level. Neither lower and all the more so higher management links are included in the system of self-management and almost no “indications” are offered on this score. But the most important consideration does not even consist in this but is rather in the “public opinion” that is beginning to accumulate around the problems of economic democracy, in the attitude toward it on the part of the forces that set the tone in our perestroika. While the “self-management” formula as part of the three-part formula “self-support, self-financing, and self-management” was followed by something in the nature of euphoria, a splash of hope and unduly high expectations, we today are more likely witnesses to dramatically waning interest in this problem. Even many of our innovative economists, sociologists, and political scientists either prefer to say nothing or to declare that participation in management is more of a hindrance to economic reform than one of its necessary elements.

I would like to dwell in somewhat greater detail on what I consider to be the reasons why economic democracy plays a key role in the renewal of our sociopolitical system.

As all of us now realize, the statization [*ogusdarstvleniye*] of individual and cooperative property by bureaucratic methods increased rather than reduced the distance between the actual worker and this property and essentially stripped him of the right to dispose over both the means of production and the fruits of his labor. Thus it did not expand socialist social relations but instead emasculated and narrowed them. As we know, the spread of client relationships more typical of feudalism than socialism, the lack of uniformity in distribution, and the existence of various kinds of privileges and

hereditary social status permeated the very fiber of social relations and in a number of instances eliminated all elements of socialism from them, and alienated workers from property, from the fruits of their labor, and from labor as such. Soviet economists' conclusion that the peremptory administrative system [*administrativno-komandnaya sistema*] of economic management created during the first five-year plans was more and more perceptibly impeding the development of the national economy as early as the late '30's is also confirmed by the negative impact that it began exerting on the social activism of the masses and on the political morale of the working people. Thus purely economic problems in the development of our society, to say nothing of social, moral, and political problems, cannot be solved without eliminating the alienation of the average worker from property, from the results of his labor and economic power, the causes of which are rooted in the distant past and the consequences of which we are "reaping" in full measure only now.

It was not for nothing that the founders of the scientific theory of socialism considered as axiomatic the premise that socialism is by its very nature incompatible with alienation, that its mission specifically consists in overcoming the capitalism-generated alienation of the actual producer from property and power.

I would like to say a few words about the far from uniform character of alienation proper under the conditions of dominance of private and state ownership and its impact on the relationship between the worker and the functions he performs. In the first instance, the sensation of alienation on the part of the actual producer is more a subjective sensation. It does not "permeate" the entire structure of production and the economy and therefore has only a marginal, side effect on production itself. To be sure, under present conditions it is growing appreciably and business is making increasingly active efforts to eliminate or reduce it by using such stimuli as material rewards linked to the quantity and quality of labor, interest in keeping one's job, etc.

Alienation under the conditions of "absolute" state ownership that developed in our country during the Stalinist period is another matter. Its principal feature is that it is equally or almost equally characteristic not only of the actual producers and the managed but also of the managers, i. e., the heads of shops, enterprises, associations, etc. The right to dispose of property is so deconcentrated that none of the managerial links holds all the management levers in its hands. The result is that the formal, bureaucratic approach takes precedence over the interested approach that is oriented toward obtaining genuine, unostentatious results of management. The reason for this is that while "normal" demandingness and the rational organization of production is for the private owner or his agent—the manager—a necessary condition to his very existence as the "boss" or manager, it is not by any means necessary to the administrator who merely personifies one of the rungs on the hierarchical ladder because he can always or almost always

find a way of giving an account of himself. At the same time, subordinates, starting from the very lowest level, i. e., the level of the actual producer, feel that the most important consideration to their superiors is not the work itself but only the aspect of it that shows up in the reports, and they behave accordingly. Hence the setting of unwarranted pay and bonus levels [*vyvodilovka*], theft, drunkenness on the job, and other attributes of bureaucratized labor relations.

Let us take a look at the present avenues for overcoming the existing situation and attempt to judge them not abstractly but in terms of existing property relations and their potential evolution. Naturally one of the key questions here is the question of the combination of self-management with competence, especially taking into account the very widespread view that they are incompatible.

First of all, I would like to emphasize that the professionalism and competence of managers today includes skills, experience in communicating with the masses, the ability to listen to them and to meet them halfway, to consider their opinion, and occasionally to change it. It is impossible to teach such skills. They can originate only under the conditions of "partnership" relations between the administration and the work force. It is not by chance that the most progressive managers in the West strive at their own initiative to establish such relations.

But naturally the ability to communicate with personnel is not the only thing that matters. This is only one of the elements of professionalism. But what of the others? And what in particular is the effect of the elections of enterprise managers, shop chiefs, brigade leaders, and the various officials in the service sphere, in science, culture, health care institutions, etc., from this point of view?

In my opinion, no one has as yet refuted the thesis that a collective that is interested in competent, qualified management can better than any "leadership" evaluate the professional and personal qualities of a future manager, to say nothing of the fact that only under the conditions of responsibility to the collective will these qualities develop in the necessary direction and will the new manager not become a bureaucrat. The fact that not every collective is interested in being managed by a competent, demanding professional.

However even an "immature" collective that is confronted with the necessity of increasing the return (which is inevitable under the new conditions of management) cannot fail to feel such interest and this intuitive impulse will become stronger and stronger as self-management begins reinforcing a responsible, interested attitude toward the affairs of the enterprise or institution proper and toward public affairs in general. In other words, the election of managers does not always and immediately produce the optimal result. Sometimes it may even yield a negative result. But combined with other measures to increase effectiveness and to promote a higher return, the election of managers opens up the possibility of

overcoming the collective egoism of the masses and the bureaucratism of the administration.

I note parenthetically that as personnel in capitalist countries begin participating in the ownership of a firm or corporation, especially in connection with the dissemination of stocks among average workers and employees of firms, the question of involving them in the election of the executives of these firms and enterprises is being raised in some quarters. However the principle of supremacy of owners who play a key role in the election of managers is not violated even in such a case. It loses its "purity" only when the right of participation of personnel and their representatives in the election of cadres is based not only on their possession of a certain share of stocks but also on the fact that they participate through their labor in the reproduction of capital, in the creation of material or other products, and in maintaining the viability of the firm. But here the very logic of purely capitalist production is already violated. Here, as in the case of other forms of participation in management, "nonbourgeois" law is realized. Or, more precisely, capitalist production (social) relations and the bourgeois law that is based on them yield certain of their positions and yield to "nonbourgeois" or "suprabourgeois" relations and law.

But let us return to the problem of electing managers under socialism. The very principle of the supremacy of the owner, who through his labor creates the basic material and other goods, demands that the decisive role in this election process be played by the work collective that is under certain conditions given the right to dispose of (and hence also to manage) public property. The practice of appointing managers from above in fact preserves the directive character of management, which is incompatible with the principle of the de-etatization [*deetatizatsiya*] of property and with the principle of self-management. A manager who is appointed "from above" is willy-nilly by virtue of this fact alone merely a link in the bureaucratized management system, is dependent on it, and is therefore deprived of real independence.

The question of the election of leaders is thus by no means a special problem that can be decided separately from other problems of self-management. Incidentally this applies not only to elections but also to all other measures oriented toward the democratization of economic management. This is because self-management is not one or another body or institution, but is a system and it can function specifically as a system, not as a system that is locked in on itself but as a system that permeates the entire economic and political mechanism all the way up to the very top.

In this connection there arises the problem of the hierarchy of self-management institutions and of various levels of economic democracy under socialism. We have not worked on this problem at all, probably not least of all because the old economic mechanism has not yet been abolished and the new one has not been developed.

It is logical, however, to ask whether we are not making a mistake not even to try to immediately devise a system of measures, at the same time that we carry out the radical economic reform, to introduce self-management principles at all levels of economic management, not merely limiting ourselves to the enterprise (association) level. If it is an enterprise, it is obviously necessary to introduce democratic principles at the shop and all other "sublevels." If it is a branch, it is necessary to secure representation of organs of self-management in its managerial mechanism at least at the leading enterprises. If they are institutions that manage the economy of a city or a region, they would probably include the representation of organs of self-management of enterprises and institutions situated on their territory. The same also applies to the management of the national economy as a whole, i. e., to Gosplan and the government. The forms and methods of such representation may be wide-ranging all the way from commissions and committees set up on a "partnership" basis to deal with various socioeconomic problems to representation in ministry or Gosplan collegia as well as in institutions of political power from the bottom to the top.

However there is also another variant that is advanced and discussed albeit in not very distinct form.

Reasoning on the basis of the "opposite," it can be assumed that even in the absence of self-management principles, the economic reform in the USSR will increase the independence of the administration of enterprises and associations to such a degree that it will be comparable to what exists in the West. However even in such a case it will not possess the power and authority that is possessed by the Western technostructure which is based on the property relations that exist there. In order to strengthen its position in society and its power in production, it will have to create a strict, essentially authoritarian system of both economic and political relations and follow the line of creating a strong, technocratic state. To say nothing of the unacceptability of such "socialism," for fundamental considerations the present system will immediately clash with the "market" aspect of the economic reform and will ultimately either result in a slightly modified peremptory administrative system or will collapse under the influence of forces unleashed by the market.

I do not speak about the colossal social pressure that will be exerted by attempts to discipline the work force and to raise labor productivity through the use of unemployment, the sharp reduction of social guarantees, and other means widely employed by today's conservatives. The experience of the same West European countries shows that unemployment begins to have a stimulating impact on the growth of productivity only when it assumes mass proportions. Nor can we fail to consider the fact that the neoconservatives themselves have been forced to abandon the idea of dismantling the social state. It is easy to imagine the social and political consequences of our attempt to simulate neoconservative methods that proved to be unacceptable even for the population of

many capitalist countries with an incomparably more efficient economy, a higher level of consumption, and the acceleration of civilized methods of political behavior.

I do not wish my statements to be construed to mean that I consider the present situation in the "labor market" normal. The continuing manpower shortage that is maintained by low labor productivity and unsatisfactory planning is one of the most serious obstacles to increasing the economy's effectiveness and to its restructuring. I believe that the successful resolution of these problems requires, in particular, the redistribution of manpower between individual spheres of the economy, and a dramatic increase in the interbranch mobility of manpower.

In view of this fact, the situation in which a surplus of manpower can and should develop in unpromising branches, and in which a shortage of manpower should develop in the promising branches must become the norm. Consequently there can and even should exist temporary partial structural unemployment that will however be quickly siphoned off with the aid of the manpower retraining system and employment agencies. Naturally the attainment of such manpower mobility will require a certain reserve. However this must be specifically a reserve that is sufficiently mobile and that has nothing in common with mass unemployment. Its principal purpose is to ensure the economy's dynamism.

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DIALOGUE BETWEEN A JOURNALIST AND A SCIENTIST

Problems of Computer Control in SDI Discussed

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[Article: "Artificial Intelligence for Nuclear Chess"]

[Text] A. B. Kuvshinnikov, a reporter specializing in international affairs, and V. M. Sergeyev, an associate of the USA and Canada Institute of the USSR Academy of Sciences and an expert on applied computerized information processing, discuss problems born of the space weapons control system concept.

[Reporter]: The problem of developing and exploiting a space weapons control system is a separate category among the multitude of problems posed by the "strategic defensive initiative" concept. They are of a moral-technological character that is strange to us because they reflect the astonishing intertwining of two worlds: the world of people and the world of machines.

A partially space-based, antimissile defense control system must be a vast computer complex capable of the

collection, primary processing, and correction of data on the launching of enemy missiles, of using these data to compute the flight trajectory of missiles and warheads, to determine the time and sequence of destruction of targets, and to secure the guidance and direct application of the appropriate type of antimissile weapons. The task is incredibly complex. Many scientists even express doubt as to its theoretical feasibility.

[Sergeyev]: It is indeed beyond the reach of the computers of today. The problem is one of conceptual difficulty.

The fact of the matter is that the control of any weapon is connected with the solution of real time problems. Unlike computational problems, they require the practically instantaneous recognition of an object or process and an optimal decision regarding the action that is to be taken in response. The appropriate electronic systems must have an appropriate reliability margin and significantly high operating speed. According to the estimates, the threshold here is at the level of approximately 150 billion operations a second. Crossing this threshold requires a new generation of computer technology.

Sequential data processing with a central control processor has been an immutable principle in computer design up until now. Every command must go through it and only one command can go through at any point in time. The dilemma of this concept is obvious: while the command transmission time, like the interval between commands, can be reduced to an incredible minimum, there is nevertheless a physical limit to the speed of these machines.

However in the next couple of years the situation changed radically. Rejection of the traditional sequential computer in the '40's by J. von Neumann in favor of a network of a certain number of less powerful processors became the conceptual breakthrough in computer technology. In the USA I saw a computer with 64,000 processors. Such parallel computers are controlled by a conventional sequential computer that in every specific instance configures the network of processors that corresponds most closely to the specific task that must be realized.

The novelty of the situation consists in the fact that the technology acquires the properties of software and becomes flexible. There is now feedback that did not previously exist. Work on the idea of flexibility generated such breakthroughs in recent years that radically altered the situation and made possible that which had been considered total fantasy.

No conceptual limits to increasing operating speed are as yet visible in the area of parallel computers. The curve is rising sharply, surpassing all predictions. After all, the network of processors can be expanded practically infinitely. In a certain stage, to be sure, it will be necessary to enlist the aid of superconductivity. The maximum speed of semiconductor-based processors is roughly 100 billion operations. While it is theoretically possible to raise the

bar even higher, the circuitry will become too dense because of the increasing proximity of the elements required to raise the speed. The denser the circuitry, the more heat is emitted and the greater the number of malfunctions. Hence the need either for additional cooling or for a heat-removing diamond substrate. Or else the circuits must be made into weak-current circuits, but then they will also begin to malfunction.

Nevertheless, the existing speed of adaptive systems makes it possible even now to develop computers capable of controlling SDI-type weapons systems. The only question is: how compact will these computers be and how convenient will the software be to use? But speed is practically no longer a limiting factor.

Such is one of the most important results of intensive research planned and carried out within the framework of the "strategic computer initiative" (SCI).

[Reporter]: Unfortunately, there has been practically no discussion of it in our press—either the popular scientific and or academic press. But the SCI, or as it is called in the official documents, the "strategic computer plan" (SCP), unquestionably merits greater attention.

Such a plan was developed in the mid-eighties by DARPA—the Pentagon agency for long-range defense research projects. The SCP was a kind of challenge to computer programmers and designers to develop several applied military computer programs. For example, DARPA experts ordered an electronic battle control system for the navy. The reference is to the development of a computer with artificial intelligence that could converse in ordinary language with fleet commanders about the tactics and strategy of combat operations. I quote the text of the SCP: "This type of system will generate scenarios of possible enemy intentions, array them according to their degree of probability, and explain on the basis of certain criteria specifically why the given system has been chosen. By comparing theoretical positions with the real potential of its combat forces and the potential enemy forces, the system is capable of proposing potential battle scenarios and of explaining the key facts of each of them. At the same time it explains the relative attractiveness of scenarios, taking into account such criteria as the preservation of own forces, inflicting damage on the enemy, and conditions for engaging in conflict."

DARPA specialists wanted to obtain another "talkative" computer—an electronic pilot-instructor—for the air force. Topics of conversation with a pilot could be: the state of the various aircraft control systems, navigational questions, the state of the enemy's anti-air defenses, the goal of the mission, the strategy and tactics of its safe execution taking the latest data of radioelectronic intelligence into account. Such an instructor would unquestionably have his own opinion of how the pilot should act to attain the optimal result.

The third direction of work within the framework of the SCP is the development of a self-propelled chassis on

which various combinations of tactical weapons can be mounted: lasers, support fire, guided missiles, nuclear landmines, and visual and radioelectronic intelligence gear. The undercarriage must be a totally self-contained robot that can see, that has terrain orientation capability, that can select its route of movement independently, and that can evaluate the tactical situation. The following will be a typical control command: "In X hours, go to region Y, and destroy object Z." The specific way in which this is to be done is up to the robot.

Significant progress has been made in this direction. The self-contained, self-propelled robot laboratory at the Carnegie-Mellon University has already developed the first prototypes of the "terrator" six-wheeled undercarriage.

A great deal is also indicated by the Terrapin Company's "turtle"—a small self-propelled mechanism used as a visual aid to small schoolchildren learning their computer ABCs. The "turtle" is plugged into a computer and the robot rolls over a paper-covered floor drawing an intricate design with a built-in pen.

The creators of this harmless being received a letter from one of the Pentagon's largest contractors. The letter contained the request for documentation that could be used to evaluate the robot's potential combat applications. Wags at the Terrapin Company replied, using the tone and vocabulary of the military agency.

In the part entitled "Survivability," they noted: "The "Turtle"-system robot has a silhouette that is low to the ground which greatly reduces the possibility of its detection by the enemy. It evades radar fixes and leaves virtually no infrared trace. The slight clearance of its running gear increases its ability to camouflage itself in open terrain. Its silhouette also significantly reduces the probability that it will be locked on by the guidance systems of most of the existing "ground-to-ground" missiles. An especially important feature: the "turtle" can turn 180 degrees with a smaller radius than any other land, sea, or air weapons system or military transport vehicle in the U. S. military establishment."

The next section was entitled: "A Guide to Combat Application" and contained the following passages: "Using the sensors that encircle them, it is theoretically possible to program a large group of "turtles" to simulate Brownian motion. There is no way the enemy can determine the trajectories of movement of 10,000 robots chaotically moving toward his positions. What is more, according to our estimates, this picture will have a demoralizing impact on the enemy's troops."

The section entitled "Weapons" states in particular: "The "turtle's" only real weapon is its ballpoint pen. But it is theoretically possible to program the robot to charge enemy positions while feverishly raising and lowering its pen and jabbing enemy soldiers with it. "Turtles" can also be programmed to push or move small objects in the required direction. Robots can be used in combat to roll grenades into the enemy's trenches and fortifications.

Considering accelerated research on the development of small nuclear weapons, it is possible to use "turtle" as a carrier—or pusher—of tactical nuclear weapons."

The anecdotal reply was received in all seriousness. The Hughes Aircraft Co. bought several "turtles," plugged them into its mighty computer, and tested the robots' ability to move over conditionally mined terrain. The results of the experiment were classified.

All this has the most direct bearing on the work on the air-defense control system. While this task is not explicitly stated in the SCP for political reasons, it is nevertheless obvious that all three of the aforementioned directions of research are oriented toward the development of a new generation of computers capable of solving real time problems. But the distance from controlling the "terragator" to guiding orbiting laser platforms is not so very great. The only question is the relative difference in the sophistication of the software. Its reliability—or more precisely its lack of reliability—is the other side of the problem.

The Office of Technology Assessment, which operates under the auspices of the U. S. Congress, reached the conclusion: "There will always be unresolvable problems concerning the reliability of computer programs. This makes it highly probable that the (ABM defense control) system will fail due to software errors the very first time it is used in actual combat."

[Sergeyev]: You know that programs of comparable complexity have already been created...But in principle you are right: the reliability of programs for military control systems is the problem of problems.

A fundamental point must be emphasized here. It is impossible to avoid programming errors entirely. There are no large error-free programs. The whole question is the nature of these errors and their possible consequences.

In principle there are two ways of increasing the reliability of programs. The first—very difficult and unpleasant—way consists in devising a logic test program. While the advent of adaptive computers simplifies matters to a certain degree, it must be remembered that the test program will be more complex than the program it tests and hence in turn will contain no fewer errors.

American specialists have taken another tack regarding the SDI control system. They are trying to develop an error-free program with the aid of a simulation complex. It plays the part of a proving ground for running-in the program, for cleansing it of errors, for learning how to correct errors. In practice, this appears as follows: an extraordinarily powerful computer continuously generates input data as if tossing tiny balls that are shot down by another computer running an ABM control system program.

But even if it is possible to conduct such a test under conditions that are very close to combat conditions, it

nevertheless can only give an approximate understanding of the system's operation under real conditions.

At the present time, there is no way of developing an error-free program. But an ABM defense system that operates with errors is a potential source of war. You will agree that this is a serious argument against the SDI program.

[Reporter]: But there is also a third way of getting rid of errors: testing the functioning of air-defense components directly in orbit even on real, if training, targets. The USA has already conducted experiments on focusing a laser beam and on controlling an antisatellite interceptor.

[Sergeyev]: It is specifically around this point that the haggling surrounding the interpretation of the ABM treaty revolves. It is extremely important for Americans to retain the possibility of testing in space the components that are developed. Otherwise they cannot be sufficiently certain that the system will operate the way it should. The mission of space air defense is so serious that the deployment of the system without total certainty of its ability will be a suicidal step. American specialists are fully aware of this.

[Reporter]: The reliability of the space ABM defense system depends not only on the reliability of the software but also on the survivability of orbiting command centers in the event of conflict.

The maximum centralization of the computer potential concentrated in a supercomputer assembled at a very great distance from earth is proposed as one of the architectural variants of the entire system. This ensures its sufficiently high invulnerability to the enemy but the reliability of two-way communication is at the same time dramatically reduced. Space is full of surprises.

Another variant, to the contrary, presupposes the maximum deconcentration of analytical potential, and the division of the ABM defense system into autonomous zones. In such a case, the disablement of a zonal *dispatcherskaya* computer will not result in the destruction of the entire system. It would seem to be not bad if we close our eyes to the obvious fact that the failure of the ABM defense system even in an individual sector will lead to inadmissible harm.

There are many variants of both passive and active protection of space-based ABM defense control centers. The first includes the deployment of backup and decoy *dispatcherskaya* computers, radar camouflage measures, etc. But all this only complicates an already complicated control system and consequently increases the probability of its failure.

Active protection is even more problematical. After all, no more and no less than about two tons of a working gas mixture are required for one shot by a chemical, hydrogen fluoride laser—the least fantastic type of radiation weapon capable of destroying an ablation-coated

missile. Considering the special attractiveness that control system platforms hold for the enemy, their possessor must count on the necessity of destroying dozens of targets. As a result, the reservoir containing the "munitions" for the laser acquires such dimensions that it itself becomes an excellent target which if hit will also result in the destruction of the computer complex.

Because space platforms with control systems will for a long period of time be in orbits with known parameters, they will be an easy target for asymmetrical response systems. As noted in the Western press, small satellite "mines" or "shrapnel" clouds of gravel or ordinary nails are a very menacing weapon against them: after all, a particle weighing only 30 grams can pierce a protective shell 15 cm thick.

The infection of a program with destructive viruses can become a countermeasure within the framework of asymmetrical response against control systems. For average ground-based computers, this is not fantasy but a real problem.

[Sergeyev]: Frankly I have never encountered an idea involving such an application of viruses. But in principle why not? A virus is usually introduced as a result of the incautious exchange of magnetic memories. In the case of SDI computers, this channel will obviously be reliably closed. But neither memories nor the program itself will be closed to those working directly to perfect it. And they are an excellent channel for implanting the virus. Here it is necessary to consider a human psychological factor: man's use of the machine to wreak vengeance on society has long ago grown from a fictional topic into an everyday reality in today's world.

[Reporter]: And what if the program contains a code that causes the computer to react to any unsanctioned attempt to modify it or to exert an external influence on it as a hostile act with the immediate combat deployment of ABM defense components? Knowledge of such consequences of any interference in the program will have a deterrent effect on attempts to use viruses.

[Sergeyev]: At the present level of electronic reliability, a malfunction can also occur for purely natural reasons, for example, as a result of a flareup in solar activity or a magnetic storm. Thus to rigidly link the triggering of the ABM defense to the penetration of the program presents a danger to its owner.

[Reporter]: Let us sum up certain intermediate results. Controlling a space-based ABM system alone will require a new generation of computers with a thoroughly specific operating speed and the development of experimental prototypes of adaptive computers appropriate to these demands.

The solution of real time problems requires new software. Programs that are comparable in complexity, even if they are not sufficiently reliable, already exist. Thus a control system of this type already exists not at the

conceptual level but in the form of experimental prototypes. But what kind of role is assigned to man in the system?

If a talking and thinking computer is capable of solving strategic problems for a limited contingent of combat forces—a ship, an aircraft, a fleet, etc., the sooner or later—probably quite soon—the question will arise as to the feasibility of transferring the entire military potential to the charge of an artificial commander-in-chief. Many of the weapons systems that are in existence even now are not used to the full extent of their combat potential because it is necessary to think about the human factor controlling them.

In the opinion of the military, the continued existence of the human factor in the decision-making process concerning the use of weapons in principle reduces their effectiveness. Man is a slow thinker, but in battle the one who fires first has a considerable advantage. All strategic computer plan programs are ultimately oriented specifically toward the exclusion of man from the "computer-weapons" chain.

But as regards a specifically space-based ABM defense system, its control must invariably be accompanied by an automatic decision-making process by virtue of the tasks that confront it. SDI advocates present the exclusion of the human factor from direct participation in combat as a major plus: if war does break out, it will become a battle waged by computers and lasers. But if the improvement of military equipment makes combat operations less dangerous from a human standpoint, it at the same time also makes them more probable.

The development of a self-contained electronic space-based ABM control system generates an entirely anomalous situation: thermonuclear war, the last crime against mankind, will have no concrete author. The decision to begin it will be made by a faceless microcircuit or a soul-less processor.

[Sergeyev]: That is the whole point. The duration of the initial sector of flight of an IBM in which the space-based ABM defense system must be activated to intercept with maximum effectiveness is less than 5 minutes. Already existing plans to improve the design of delivery vehicles make it possible to reduce this time to 180 seconds. And according to certain assessments, the intercept stage [?] [*etap razgona*] can realistically be reduced to 50 seconds.

This means that a maximum of 20 seconds will be allotted for the activation of the ABM defense system. The time remaining for human intervention is negligible. But what if the early-warning system malfunctions? Obviously the possibility of beginning a war must not be transferred to technical devices.

[Reporter]: While the present decision-making chain on the use of strategic missiles cannot be considered ideal, compared with such a prospect it seems entirely rational. American command norms allot no more than 2 minutes for processing data received from early-warning satellites

and forward-based radars. Another minute is allotted to verifying the data by the central complex of the Joint North American Aerospace Defense Command (NORAD [North American Air Defense Command]). The next minute is used to check the system for malfunctions. Thirty seconds are allotted for the duty officer's report to the NORAD commander. One minute is allotted for communicating information to the national command center in Washington.

If the space-based ABM defense system is activated, the interception of the missiles is transferred to the *uchastok razgona* and hence the decision-making time is sharply reduced. And this inevitably has an extremely pernicious impact on the stability of strategic equilibrium.

Nevertheless, American specialists, and indeed some politicians as well, prefer—to put it mildly—not to focus attention on the fatal inevitability of the “dehumanization” of the decision-making process. What is more, they try to picture matters as if the SDI control system will ultimately be directed by humans.

[Sergeyev]: At best, all that remains for humans to do is to view the computer-prepared variant. There will be no time to analyze variants proposed by computers—a fact that is fraught with unpredictable decisions.

The SDI control system will evidently be an artificial intelligence system with the ability to analyze a strategic situation. It is quite difficult to predict how it will react to various external circumstances. The computerization of military decision-making systems has confronted science with completely new tasks in the area of artificial intelligence. Chess-playing artificial intelligence is one thing. Here the only thing required is a knowledge of the game. Artificial intelligence that makes decisions upon which the fate of people and all mankind depends is something else altogether! In such a case, a system of human values and a moral code must be built into the weapons control system. Until a computer can evaluate the strategic situation from “human” positions, it is very dangerous to use it to make vitally important decisions.

Computer programs are now addressing the problem of simulating human values but as yet there is not even a visible hint that the problem is solvable. Thus, it is technically possible to develop an ABM defense system controlled by artificial intelligence long before a value “fuse” is installed in it.

[Reporter]: But even if it is possible to install a complex of human values in a weapons control system (for any kind of weapons) over time, the question remains: who will determine its content and which specific values will be given priority?

Americans probably are more closely in touch than others with the world of electronic technology and from their own experience the potential danger presented by the lack of reliability and self-contained operation. It is probably this factor that is promoting the growth of political opposition in the United States to plans for

developing any form of self-contained space-based ABM defense system requiring the exclusion of man from the decision-making process regarding its application in combat.

Even though they are not unanimous, scientists engaged in space-related research express a certain degree with dissatisfaction about the dominant role of SDI activity.

“I ask those who are interested to think together with us about ways of improving missile control systems”—stated the information bulletin of ARAPNET—a computer information system created by DARPA linking the major U. S. computer research centers. It brings to the computer screen information about a wide range of topics of interest to specialists: fiction, problems of space flight, amusement programs, electronic games, computer music. The computer makes it possible to exchange ideas, to seek the joint solution of a problem, i. e., essentially unites the intellectual potential scattered all over the country into one creative fist with incredible penetrating power.

But among the various hobby clubs, there is also a club for the “creation of new weapons systems.” It was through its channel that the message referred to above was distributed. From the multitude of responses, I selected three that most completely reflected the range of positions of ARAPNET users.

The first position: “I was insulted by the request for assistance in improving missile guidance systems. This is the same as saying: help me to destroy the world in a cleverer way. My tax money also goes to perfecting weapons and I am indignant over such waste of the Pentagon's colossal financial and human potential.”

The second position: “I think that all the Pentagon money that ARAPNET lives on should be used for something more beneficial, if only for the development of missile guidance systems.”

The third position: “All of us derive great benefit from Pentagon aid. Without it, there would be no DARPA, no ARPANET, nor would there be 80 percent of the research and design projects currently under way. It would be unjust if any of us criticized our colleagues requesting information about the possibility of speeding up work on the development of a new missile guidance system. Of course, such requests can cause alarm—they are a reminder of the ultimate direction of our work. There are people who find this reminder unpleasant, who do not want to think about it. I simply want to work. I am not interested in the source of the money I am working for. Or: I use money that would go to defense anyway but for things that are totally bad, for the same missiles. This is to say: research has no relationship in reality to military questions, but is financed in this way exclusively because of the existing political situation, and ultimately I am not responsible for the end use of the results of my research. We will not criticize such people. But let them refrain from criticizing those to prefer not to avert their eyes from the truth.”

[Sergeyev]: Our talk is moving out of the area of expert evaluations of technical issues into subtle political and ethical spheres. I am an expert on applied computerized information processing and it seems to me that the solution of many of the questions you raise depends on one's personal political and ethical position. It seems to me that they must be resolved from the standpoint of general human values.

[Reporter]: The fateful cycle will continue without interruption as long as policy remains a hostage of technology and science that drives technology remains the hostage of the military. Such an interrelationship was inevitable in the early stage of the scientific-technological revolution. In the present stage, it becomes mortally dangerous.

If the arms race continues, the use of computer technology in military systems will inevitably expand. After all, the rivalry is primarily in the area of qualitative improvements of arms, and computers are now the carriers of the desired new qualities.

Such development of events—and in the absence of a breakthrough in new measurements of agreement in the foreseeable future in Soviet-American negotiations on nuclear weapons, it is practically inevitable—is fraught with the most serious kinds of unpleasantness.

After all, extrapolation to the future of totally obvious trends toward the computerization of weapons logically leads to the gradual elimination of man from the decision-making process on putting these weapons into action. A very alarming dependence is clearly seen: the elimination of the human factor is accelerating in proportion to the increasing destructive power of the weapons system.

The SDI program is confirming this dependence at the level of an absolute: absolutely powerful weapons that threaten the destruction not of individual people but of all mankind are becoming absolutely independent of human will.

This is no longer a paradox. This is an absurdity.

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FOREIGN ECONOMIC EXPERIENCE

New Hungarian Employment Strategy Viewed

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[Article by Aleksey Vladimirovich Polyakov, scientific associate, Institute of the World Socialist System, USSR Academy of Sciences: "New Employment Strategy in the Hungarian People's Republic"]

[Text] Socialist countries have embarked on a period of essentially revolutionary economic restructuring that is intended to intensify economic processes, to impart dynamism to socioeconomic development, and to strengthen socialism in actual fact. Hence the search for new approaches to many theoretical ideas and to practical economic management. It will also be necessary to take a new look at such a major problem as the creation of a mechanism for full and economically effective employment and the problem of motivating workers to be highly productive and to work with initiative.

A priority direction

The utilization of Hungarian society's labor potential is a problem that has become especially acute of late. On the one hand, enterprises frequently try to preserve intraproduction manpower reserves; the economic behavior of the workers themselves attests to the decline in their activity on the job, to the transfer of this activity to secondary employment; there is a manpower shortage.

On the other hand, unprofitable enterprises have been closed down. There have been difficulties employing certain groups of workers. This has shaken the stable view of unconditional guarantee a job security under socialism, of the right to work as the right to a certain job. Together with the release of workers from the sphere of material has production and the limited possibility of creating new jobs, this generated fears of the possible rebirth of unemployment.

Economic policy is confronted with the difficult and serious task of coordinating demands for highly rational labor activity with the principles of full and guaranteed employment. Given the intensification of the economy, the Hungarian People's Republic is formulating a new employment strategy. An important place in this strategy is occupied by the principle of differentiating the responsibility of the state and of economic organizations in the area of employment job security. The approach that enterprises in their economic activity must be guided exclusively by criteria of economic effectiveness and that the state assumes the costs (reemployment, retraining of released workers) that arise in the process, that can affect full employment and man's right to work, has been affirmed.¹ According to legislative acts adopted in the '80's, the employment of released workers is exclusively within the jurisdiction and is part of the obligation of state organs.

In practice, this helps to free up intraproduction manpower reserves and simultaneously guarantees socially acceptable forms of release of manpower. Since state organs take upon themselves the social protection of those who are released, enterprises are motivated to improve their economic performance while simultaneously reducing the size of their work force. Reduction of the size of the work force is in itself a complex and conflict-ridden process for the economic organization and the work collective. But if this conflict situation means that the enterprise is obligated to find jobs for

released workers, to pay them material grants, etc., economic managers will strive to avoid these reductions. Obviously, one of the inhibiting mechanisms arises here and the need for the constant restructuring of jobs is not being satisfied.

What is more, under the conditions of the large-scale release and redistribution of manpower, enterprises are not able to secure the necessary social guarantees when workers move from one job to another, to offer proper vocational guidance based on the future requirements of the economy and society, and to take all possible consequences of a change in jobs into account. Economic and organizational centralism is required in the redistribution of manpower between different enterprises, branches, and spheres of social production in order to prevent undesirable phenomena (for example, change in the social status of the worker and his family; the worsening of his material status; the emergence of closed groups of workers living under the constant threat of being fired, etc.). In other words, it is a question of the active role of the state in preserving full employment, given a more rigid economic mechanism oriented toward economic rationality and effectiveness.

The mechanism for managing full employment

Guaranteed employment is of enormous importance to socialism. Therefore already at the beginning of the '80's, at a time when the release of manpower was just beginning, a purposeful effort was launched to create a mechanism for the centralized management of this process. Today, at a time when the restructuring of jobs in the national economy affects the interests of relatively large groups of workers and the population as a whole², we have already amassed a certain amount of experience.

The management of processes in the area of employment is coordinated by the State Office for Wages and Labor which is based on a network of employment offices operating under the auspices of local councils in all regional centers throughout the nation. Before 1981 the activity of these offices was of a coercive administrative nature and was primarily geared to finding jobs for persons fired for disciplinary infractions as well as to finding manpower for enterprises independently designated as "priority" enterprises by local organs of power. The 1 January 1981 decree of the State Office for Wages and Labor placed primary emphasis on intermediary, informational activity designed to provide prospective workers with wide-ranging information about job openings.

The employment offices are also responsible for organizing the exchange of manpower between enterprises for a specified period and for finding employment for seasonal workers. The offices' most important tasks are specifically connected with the organized release of workers from an enterprise. The offices have the obligation to join in the search for job openings corresponding to a number of socioeconomic characteristics guaranteed by society (jobs appropriate to a worker's skill level; wage

level; proximity of job to home, etc.). Measures are being taken to establish a nationwide employment data bank that would make it possible to go beyond the boundaries of administrative regions.

While the state budget defrays most of the offices' expenses, in some cases long-term cost-accounting forms of cooperation are practiced with large economic organizations.

A system for the centralized financing of the retraining and advanced training of released workers is a significant element in the manpower management mechanism. A state budget fund for this purpose was first established in 1983. Its size was approved within the framework of the state plan and adjustments in the fund at the initiative of the State Office for Wages and Labor were permitted. The fund paid workers their average wage while they were in training or retraining programs.

Before 1985 the fund could be used only in the case of workers transferring from one enterprise to another. This restriction has now been lifted and financing has been extended to the regrouping of manpower within the framework of the same economic organization, to the training of youth in currently or prospectively critical occupations (primarily connected with the development of microelectronics, biotechnology, etc.).

Structural change in the demand for manpower has increased the frequency of conflict situations in the employment of unskilled workers. Therefore since 1 July 1987, the state has ordered that employment in so-called socially useful jobs be handled within the framework of the municipal services of the local councils. A worker concludes a two-month labor agreement with a local council which may be extended. This form of employment is equal to other types of labor activity in the socialist sector of the HPR economy and provides general social guarantees (sick pay, pension benefits, etc.). This work is financed by the state budget (70 percent) and by funds of the local organs of power (30 percent)³. In view of the limited nature of centrally allocated funds, they are distributed on a competitive basis primarily among regions with a structural manpower surplus.

The state also grants low-interest loans to persons entering the sphere of cooperative and individual labor activity, guarantees workers material support while they are between jobs, grants certain social guarantees and benefits to such groups of employed persons (people of prepension age or with limited capacity for work) who have greater difficulty finding work. Operational territorial branch commissions are created for the purpose of resolving employment problems in regions that are more strongly affected by restructuring than others.

The liquidation of unprofitable enterprises and the social protection of the worker

The question of defending the labor interests of the worker became especially urgent in connection with the

drafting of the law liquidating unprofitable state enterprises. This law, which was adopted in 1986, was based on the objective necessity of restructuring the policy of selective development of production proclaimed back in the second half of the '70's. The country's long-term interests demanded the transition from the management of structural changes through differences in the growth rates of individual production facilities in order to secure the dramatic economic growth of leading enterprises and branches by curbing unprofitable production and liquidating economic organizations that do not satisfy changing needs and that are a financial burden to the state.

This law became one more step in the development of theoretical ideas on the socialist enterprise, its rights and responsibilities vis-a-vis economic performance. As the documents of the All-Hungarian Party Conference (May 1988) emphasized, "...socialism that functions well and effectively must guarantee protection only to work collectives that work effectively."⁴

Thus, economic policy strengthens the approach that socialist principles are not philanthropic principles that automatically guarantee any enterprise the right to exist regardless of its performance. This right must be continuously won by effective work.

The law provides that long-insolvent enterprises shall be liquidated or that the state shall institute a program for improving its economic conditions [sanation]. The latter presupposes that the enterprise shall be maintained by the state budget on the condition that it fulfill strict demands of a sanation commission formed by the ministry of finance for its economic, organizational, and personnel restructuring. Both instances generate a situation in which numerous groups of workers lose their jobs and the state must create mechanisms that protect the principles of full employment and the social satisfaction of the working people.

Therefore concurrently with the law liquidating unprofitable enterprises, numerous normative acts defining the obligations of the state regarding employment and social security of released workers. In accordance with these acts, any organized redistribution of manpower (this is the term used to describe the release of manpower at the initiative of the employer for the purpose of increasing the effectiveness of production) must be as follows.

An enterprise planning to release a group of workers must 3 months before dissolving the labor agreement with them inform the regional employment office of the number and occupational-skill structure of those to be released. From that moment state employment organs begin the search for job openings. The new job must satisfy a number of demands: it must conform to the worker's skill level; pay must be at least 90 percent of the previous level; travel time to and from work must not exceed 2 hours.

After a worker has been notified of his scheduled dismissal, he may, with the support of the local labor

organs, defer the dissolution of his labor agreement for another 6 months. During this period, the worker is guaranteed his average wage, which is paid by the enterprise, not from material incentive funds, but from state budget funds. If the efforts of the worker himself and the employment office are unsuccessful, the next stage begins. The worker now is no longer in a labor relationship with the enterprise, loses his seniority rights, and is transferred to full state support for half a year. He is paid unemployment benefits in the amount of 75 percent of his previous earnings for the first 3 months. For the remaining period, he receives 60 percent of his previous earnings. The employment office continues to try to find employment for him.⁵

Thus, 15 months are devoted to finding employment for released workers. Persons of pre-pension age who are unable to find a job corresponding to their occupational and skill requirements are given the right to retire.

The interests of preserving full employment under the terms of the law liquidating unprofitable enterprises also demanded giving the veto power to the State Office for Wages and Labor. It exercises this right when deciding whether to close down one or another economic organization if this may generate difficult employment problems for the workers of a given region.

Hungary's "sore" points are the regions where its heavy and extractive industry enterprises, which are going through a serious structural crisis, are traditionally located. According to the state program for the modernization of ferrous metallurgy, the coal industry, and construction, many enterprises in these branches must abandon obsolete technologies and production facilities, must liquidate unprofitable sectors, and must release mass contingents of personnel.

The solution of many employment problems in these regions requires new forms of cooperation of various state organs and public organizations. At the initiative of the Ministry of Industry, a number of regions have created coordinating committees for the operational regulation of questions connected with the release and employment of personnel. They are staffed by directors of large industrial enterprises and by representatives of party and state organs, of the All-Hungarian Trade Union Council, and the Hungarian Economic Chamber.

The trade unions are taking an active position. In the course of talks with government and party organs and at sessions of the state assembly, they have repeatedly advanced fundamental demands on employment policy that are reflected in the new strategy in this area. Chief among them is the preservation of the guaranteed right to work. As emphasized at a session of the State Assembly of the Hungarian People's Republic (September 1987), "full employment is not only a political goal requiring economic sacrifice...Labor creates new values and every pair of working hands that remains idle is detrimental to society."⁶

Therein lies the essence of the approach to the understanding of effective employment, which rejects proposals to use "limited, manageable" unemployment to strengthen labor discipline, to increase the effectiveness and improve the quality of labor. Socialism must have rationally organized full employment—this is the key thesis of economic policy of the Hungarian Socialist Workers' Party.

However this approach does not mean the total absence of difficulties and contradictions in coordinating these two aspects of employment (rationality and the social protection aspect) and the need for the periodic strengthening of one or another aspect of employment depending on which of them becomes a bottleneck to economic and social progress.

M. Nemeth, the premier of the HPR Council of Ministers, emphasized this point in an interview: "...the realization of social interests in the sphere of employment is not a conflict-less process. It demands sacrifices of society. It is borne in mind here that the modernization of production structures in the national economy is connected with the liquidation, disintegration, and re-establishment of work collectives and, what is still more painful, with the personal difficulties of individual people. In certain regions or within the framework of certain occupations, temporary unemployment may arise and it should not be concealed but should rather be overcome."⁷

Such evaluations attest to the reappraisal of the approach to the question of social constraints under socialism. In Hungary it is already recognized that far-reaching economic reforms and the transition to the new quality of economic growth on the basis of intensification complicated by problems of foreign economic imbalance frequently demand rigid political and economic solutions the origin of social conflict situations. It is necessary to know how to forecast, to be ready for them from the standpoint of the modernization of social policy and the search for new forms of protecting the population against the influence of market relations. This change can conditionally be characterized as the transition from the orientation toward social constraints to the use of social reference points.

All this demands overcoming certain stereotypes in social thinking and in the psychology of the work force. Full employment has usually been equated with the guaranteed right to employment and to the person's retention of a certain job. However under present conditions, this guarantee works against intensification, against economic progress.

Employment policy in the HPR is based on the premise that social necessity may force a person to lose his job and may devalue his occupation. A difficult task confronts society: to motivate and coerce the worker, to give him a general guarantee of employment, to orient him (together with society) toward the struggle for a new job through retraining, to raise his educational and skill level, to prepare him for possible change in his place of residence, etc.

In such an interpretation, full employment acts as a guarantee of employment for which a person must constantly struggle considering the change in social needs. What is more, the struggle must exist not only when a worker loses a job but also while the worker has a job, when the worker can, through his labor prove to the enterprise and society the need to keep him in this job.

The mechanism for managing the release and employment of manpower in the HPR continues to improve. A unified state budget employment policy fund was established on 1 January 1988. It combined all the previously unrelated sources of centralized financing of measures in the area of employment, retraining, and advanced training. This fund allocates resources that are targeted for the creation of new jobs in regions with a manpower surplus, for low-interest loans to temporarily unemployed workers ready to engage in cooperative or individual labor activity. This strengthens the attempt to make active state support of the effective involvement of man in various forms of economic activity and the satisfaction of his requirement for socially useful labor the principal guarantee of the social protection of the working people.

However this does not diminish the importance of the problem of creating reliable forms of material support for workers between jobs. The introduction of a uniform system of unemployment benefits is considered feasible and necessary because the worsening of the problem of employing released workers and the advent of temporary or regionally restricted manifestations of unemployment are forecast under the conditions of the economic crisis and in-depth restructuring in the HPR. As of 1 January 1989, every worker who loses his job and who registers with the employment organs can receive unemployment benefits in the amount of 50-75 percent of his average pay for 1 year. At the present time, these costs are financed from the state budget. A special insurance fund based on targeted contributions of enterprises, trade unions, and workers is planned for the future.

The country is only in the initial stage of forming an effective employment mechanism. There are frequent situations in which it is impossible to combine social and economic criteria of rationality of the use of the labor potential of man and of society as a whole. These problems are the subject of discussion among scholars and practical workers and require our unflinching attention and study. The answer to the main question—can socialism create a mechanism for using "human resources" in the economy that is more effective and more humane compared with capitalism?—also hinges in large measure on their solution.

Footnotes

1. See GAZDASAG, No 3, 1986, pp 90-91.
2. During the Seventh Five-Year Plan (1986-1990) in industry alone, approximately 150,000 persons or 3 percent of the nation's total economically active population will be released and transferred to new jobs (see PENZUGYI SZEMLE, No 7, 1987 p 494).

3. See HETI VILAGGAZDASAG, 13 June 1987, p 6.
4. NEPSZABADSAG, 22 May 1988.
5. See PENZUGYI SZEMLE, No 7, 1987, p 497.
6. NEPSZAVA, 17 December 1987.
7. PARTELET, No 5, 1988, pp 9-10.

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IN THE IMEMO ACADEMIC COUNCIL

Developments in Western Economies in 1980's Surveyed¹

18160018f Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA in Russian No 8, Aug 89 pp 116-121

[Article by Leonid Markovich Grigoryev, candidate of economic sciences; sector head, USSR Academy of Sciences IMEMO: "Particulars of Cyclical Expansion in the '80's"]

[Text] The economic expansion of capitalist countries in the 1980's reflects in most general form an intricate complex of interconnected processes: the further development of the scientific-technological revolution, the transition to the intensive type of reproduction and the structural changes associated with them, and growing internationalization. The most urgent problems related to the adaptation of the economies of the developed capitalist countries to the new conditions of reproduction have on the part been resolved for today. What is more, a number of parameters (especially the relative prices on fuel and raw material resources) are approaching the values that were recorded prior to the structural shocks. This suggests that the increase in the tempo of economic growth in Western countries or at least its stabilization will probably extend into the '90's. We note that the overall increase in the real volume of the gross national product of developed capitalist countries (GNP of OECD countries) in the past decade will evidently prove to be only 2-4 percent lower than in the '70's notwithstanding the grave crisis at the beginning of the decade.²

Deep-seated changes in the productive forces have been the basis of economic development of capitalist countries over the decade. While the modernization of industry's production apparatus, the creation of science-intensive branches, and the accelerated development of the service sphere are characteristic of the entire decade, the rate of progressive structural change has not remained the same.

The character and direction of structural change that are now clear were by no means so obvious either to analysts or to the business community back at the beginning of

the decade. Growing uncertainty about future commercial activity in the mid-1970's—uncertainty about the structure of public demand, directions of technical breakthroughs, the dynamics of prices on goods and factors of production—forced corporate business in the West and East (Japan, East and Southeast Asia, etc.) to search for ways of adapting to the new conditions of reproduction. Private business—both small and big—showed a clearly discernible trend to become more active. It is important to emphasize that it was specifically corporate business—the backbone of modern capitalism's economic system—took economic expansion "upon itself" and effected far-reaching reforms in the productive forces in the 1980's.

Rigid external conditions of management, in particular, the high level of real interest and the increasing competition in world markets, led to the intensified search not only for commercially promising attainments in the sphere of equipment and technology but also for modes of organization of social production. The difficulty of adapting corporations to new market conditions led to increased elasticity of management structures and the more careful criticism of the strategy and tactics of competitive struggle. Longer-term but less rigid growth plans have been developed. It is also necessary to take into account the rebirth of the "spirit of enterprise" and the growing role (based on new types of technologies) of small and medium business, especially of business ventures. The increase in corporate and entrepreneurial activity as a whole is one of the most stable characteristics of the 1980's and is at the same time the basis of reforms in the productive forces. The wave of capital centralization that developed in the '80's is playing an enormous role in this process. Change in the structure of property, which is obviously inevitable given the large-scale structural changes in the economy, has reached its high point in the USA. The last 2 years have been noteworthy for the increase in the intensity of international mergers: the influx of capital into the USA, the migration of American and Japanese business to Western Europe, international mergers between European countries.

There has been an appreciable change in the practice and especially the ideology of state intervention in economic life. The neoconservative wave in government policy of the leading capitalist states corresponded to increasing enterprise at the microlevel. The strengthening of market principles, the privatization of property, deregulation and liberalization, and tax reform have become a necessary supplement to the stiffening of competition, to the wave of capital centralization in the leading capitalist countries. The social insurance system was not dismantled, nor did the share of the state in the redistribution of the GNP diminish. State spending in OECD countries, for example, on the whole rose from 32.3 percent in 1967-1973 to 37.1 percent in 1974-1979 and stabilized in the mid-1980's at the level of 40-41 percent of the aggregate GNP of OECD countries. However, direct state intervention in the economic decision-making process at the microlevel is appreciably weaker.

The most clearly neoconservative character of the state economic policy of capitalist countries has been manifested in its antiinflationary orientation. Inflation has complicated the long-range economic decision-making process for big business, broad strata of the population have suffered from the devaluation of their incomes and hence support for state antiinflationary policy was practically unanimous. In the face of commercial and financial uncertainty, the confidence of the business community in the consistency of state antiinflationary and pro-business (in the broad sense of the word) policy was very important for decision-making pertaining to the modernization of fixed capital and to long-range financing.

The stability of strict state antiinflationary policy in Japan and the Federal Republic of Germany is natural if one considers the stability of the governments in these countries. The picture is slightly different in the USA and Great Britain: R. Reagan and M. Thatcher have consistently implemented neoconservative policy and have secured public support that is essential to its implementation. Business thereby obtained certain guarantees. The continuity of the economic policy of a number of French governments with different political orientations has shown that this policy accords with the "spirit of the time." Pressure exerted by governments and business on the working class under the conditions of rapid structural change and cyclical and structural unemployment led to the appreciable restriction or freezing of the real wage in the commodity-producing branches. This ultimately improved conditions for the spontaneous growth of capital. We are in fact witnessing the first intensive economic growth under the sign of the increase in the role of private enterprise since the '20's. The lesson of the '80's can be succinctly formulated: under the conditions of rapid change in economic life, there must be maximum flexibility in the decision-making process at the level of the firm and maximum stability of state economic policy.

Foreign economists date expansion in the '80's in terms of a two-phase cycle in the period between 1983 and 1989. In other words, this is the entire post-crisis period from the beginning of the decade since it is noteworthy for the growth of the real volume of the GNP. But it would be insufficient to note alone the fact that expansion in the USA and evidently in Japan started at the end of 1983 but not until mid-1985 in Western Europe. The situation is considerably more complex because expansion between 1983 and 1989 in the USA and Japan was far from homogeneous. Only in North America and Japan was any significant rate of economic growth seen in the initial stage of expansion in the developed capitalist countries. Outside the OECD region, growth was confined to only a few countries—primarily to the "four dragons." Starting in the autumn of 1987, cyclical expansion for the first time since the 1970's gripped practically all the leading capitalist countries at the same time. Virtually since the first time since the '60's, the investment boom has developed in their interaction with the

significant increase in consumer demand. We recall that the stagnation of industrial production was observed in the USA and Japan from the summer of 1985 to the summer of 1987. In 1986 there was an appreciable decline in real investments in fixed capital in industry in both countries. Moreover in the USA the decline in such leading branches as general and electrical machine building was greater than at the height of the economic crisis of 1980-1982 (by 10-14 percent compared with 3-7 percent). Inventory reduction characteristic of recessions was also very appreciable. It is hardly feasible to look for some such term as "intermediate stagnation" to describe this phenomenon. The decline of productive accumulation and investment in inventory in the course of expansion signaled that the tracks were being "cleared" for the continuation of expansion because contradictions requiring resolution accumulated within the framework of expansion proper.

The years between 1985 and 1987 specifically became the time when a sharp break was made with the price proportions that formed in the first half of the '80's. Indeed the change in exchange rates and oil prices essentially produced a new shock. In the short haul the lowering of prices of fuel and raw material resources had a negative impact on economic growth and struck at large sectors of the economy associated with the oil business. Stagnation of industrial production in a number of leading countries and the sharp drop in investment in the U. S. and British oil industry can be regarded as the result of the interaction of structural and cyclical factors. We also note the negative influence of the cheaper dollar on Japanese exports and industrial output. Finally, nominal interest rates and inflation norms were seen to be at their lowest in 1986: expansion was hitherto concurrent with the lowering of these two key parameters. Understandably, only the specific circumstances of this period, especially the gradual elimination of inflation, explained this anomaly. On the whole the year 1986 can be considered the watershed between two stages of the cyclical expansion of the 1980's.

Significantly, the first branch crisis in the sale of personal computers, electronic appliances and components, i. e., the products of a branch symbolizing modern structural change, dates back to 1985-1987. The rate of increase of demand and supply slackened in science-intensive branches in general. For example, the production of electrical machine building products in Japan increased by 93.4 percent and by 18 percent in 1985-1988; the corresponding increase in the USA was by 30.8 percent and by 4.7 percent. Naturally, sophisticated branches will continue to lead in economic development while determining the direction of changes, not as "new-comers" starting from a very low level of production, but as increasingly mature production complexes. Science-intensive branches are surpassing the general growth rate of industrial production and the final product to a very significant degree even though the possibility is not excluded that the gap may be narrowed by the next

recession or by stagnant production. The wave of consolidation in the USA—absorption and merger both in the production of sophisticated information equipment and in the growing information business—became one of the signs of “maturation” of the microelectronics industry and other science-intensive branches.

It is not by any means possible to assign all structural changes in the 1980's to precise periods. For example, the diffusion of information equipment (office equipment and computers, scientific and other instruments, communications equipment) throughout the American economy was very intensive during the entire decade. The average rate of increase in the purchase of this equipment for investment purposes was 17.7 percent in 1977-1980 and approximately 13.5 percent in 1981-1984 and 1985-1988. The increase in computer purchases during the same periods (in 1982 prices) was 30 percent, 34 percent, and 21 percent, respectively.

Investment goals also changed in the 1970's and 1980's. The initial reaction of the accumulation sphere to structural shocks in practically all the leading capitalist countries was expressed in declining investments (especially state investments) in housing construction and in the infrastructure. While the general accumulation norm declined somewhat, the decline was less (especially in the USA) than might have been expected in view of the grave economic crises and the slow growth rates. The investment norm for production equipment rose at the same time. The rate and scope of diffusion of information equipment have only two analogues in a century and a half: railroad construction and the development of motor transport and branches related to them. While investments in all traditional types of equipment in the USA increased by 15 percent between 1977 and 1988, the increase in investment in science-intensive information equipment was more than fourfold. Practically the entire increase in production equipment in the USA in more than a decade was connected with information equipment; its share in total investments jumped from 20 to 45 percent. It is specifically on this basis that revolutionary changes are taking place in the sphere of scientific research and training and in the use of leisure time, to say nothing of credit-finance and other areas. Behind changes in the technological structure of capital investments stands substantial change in the reproductive structure: the decline in net accumulation and the increase in the share of compensation.

The high gross norm of investments in production equipment (especially science-intensive equipment) meant that the accumulation process was supported by predominantly structural factors associated with the need for the mass modernization of fixed capital. What with the series of branch crises in the basic branches of industry and the enormous underutilization of production capacities and their mass liquidation (for example, in ferrous and nonferrous metallurgy in the first half of the decade), hardly anyone could have foreseen the shortage of fixed capital in a large number of the “old” branches. However the appreciable increase in the utilization of capacities,

especially in ferrous metallurgy and in the chemical and pulp-paper industry in the USA, specifically became an event in 1988. Following the recession in investment in the USA and Japan in 1986, accumulations were converted to the development of new capacities and there was evidently a gradual increase in net accumulation. These processes in West European countries were reinforced by the substantial improvement in the financial status of the share of profit in value added roughly to the level that was characteristic of the early '70's. Real gross investment in EC industry in 1988 finally exceeded the 1973 level (given the corresponding change in their technological and branch structure).

It should be noted that the growth of investment in science-intensive equipment was accompanied by prolonged stagnation of investment in traditional branches of the economy and types of equipment. Thus the average age of processing equipment in the USA at the present time is among the highest since the early '60's and has increased by half a year during the '80's. Thus the growth of investments in recent time reflects the need for the modernization of traditional segments of fixed capital (partially on the basis of microelectronics technology). This potentially creates a certain demand for capital goods, which may promote the expansion of economic activity in the future. At the same time it is understandable that if the old nucleus of branches of heavy industry (metallurgy, transport and general machine building, etc.), the production and investment demand of/for which experienced the greatest cyclical fluctuations in history (and were transferred to the nation's economy as a whole) was not eroded, its share diminished appreciably. The demand for information equipment oriented toward machine building has other regularities not only in the dynamics of growth but also in terms of fluctuation. It is specifically this demand that will to a considerable degree determine overall demand for investment goods in the foreseeable future.

There have been certain changes in the course of current expansion in the consumption sphere. Let us trace them on the basis of the U. S. example. The demand for nondurables is growing very slowly because of the high degree of saturation of the market. Demand for educational, health care, and recreational services is expanding rapidly. The boom in the durable goods market came as something of a surprise. Their share in the U. S. GNP rose from 8.35 percent (in 1982 prices) from 8.35 percent in 1979 to 10.25 percent in 1988; their growth and level are appreciably higher than in other developed capitalist countries. For the first time since the '60's, a package of new types of products (personal computers, VCR's, etc.) is being placed on the market at the same time that old consumer goods are being renewed, for example, cars are being traded in for more economical, ecologically superior models using new materials and built-in microprocessors. As shown by the U. S. example, the potential for replacing household items is very high: assuming other conditions are favorable, it can be a factor in sustaining long-term economic growth rates.

The consumption boom in the USA that for the most part took place between 1983 and 1986 reflected one more aspect of the expansion. Starting with a certain moment, an ever greater role in the expansion of the market was played not only and not so much by demand for new resource-conserving technologies as the demand for new consumer and producer goods. In the USA there was a sharp increase in the demand for machinery [*mashinotekhnicheskaya produkcsiya*]: investments in production equipment between 1979 and 1988 increased by one percent of the GNP (from 8.1 to 9.1 percent). Purchases of durable goods increased by almost two percent of the GNP. The growth of the real volume of personal consumption in the USA in the last 2 years slackened (from 4.5 to 3 percent, but increased in Japan and in the EC countries (approximately 3 percent). In recent years, there was an increase in the share of personal consumption in the GNP of the leading capitalist countries, which declined at the beginning of the decade.

The growth of personal consumption in the leading capitalist countries was to a considerable degree the result of the lowering of the savings norm, which became one of the key factors in the continuing high real interest rate during the entire decade. Personal demand has been supported by an increase in various types of interest, rent, and transfer incomes. Tax reforms also played their part. The growth of demand for services led to the dramatic expansion of employment in this sphere predominantly in the USA, Canada, and Japan. The general growth rate of employment in OECD countries reached the level of the '70's in 1984-1988.

Internationalization processes played an enormous role in current economic expansion. It is first of all necessary to note the increased significance of international flows of capital, intrafirm trade, and the transfer of information capable of smoothing out adverse external factors (for example, sharp fluctuations in currency exchange rates) to a certain degree. When the exchange rate of the dollar was high in the first half of the '80's, U. S. exports expanded almost exclusively due to intrafirm flows. The stable growth of imports to the USA, even when the exchange rate of the dollar was low, became an important characteristic feature of the expansion. The vast American internal market probably played a larger role than the "locomotive" of expansion. Before 1988 it provided virtually the only market for the exports of the products of many countries, which was especially important under the conditions of the compressed markets of Latin America and the OPEC countries. The stabilization of oil prices in the winter of 1988 and the spring of 1989 might suggest that the oil exporters have the worst times behind them. The only region with a great import potential that has not yet extricated itself from its difficult economic situation is Latin America. The easing of the debt burden of several of the largest Latin American countries still "does not suffice" to give full scope to their economic expansion in the capitalist world economy.

Parallel economic expansion in the major regions of the developed capitalist world is to a certain degree of a

self-supporting character: in particular, American exports that increased sharply in the next two years after the decline of the exchange rate of the dollar obviously does not as yet create serious problems for the importing countries—the spheres of conflict are limited: they are "by tradition" agricultural trade, trade in intellectual property, and certain others. Intensive product differentiation processes obviously have their impact. The new level of the division of labor in the world capitalist economy in large measure reflects a situation in which fierce competitive skirmishes in the new product markets end in their division (even if only temporarily) into more detailed types of products that differ in the specifics of their use or other qualitative features. Thus some of the product flows are essentially noncompetitive, while competition as such is transferred not to the investment stage but to the R&D stage. But the scale of economic expansion in OECD countries also created the prerequisites for expanding the traditional forms of trade. Correspondingly the growth of world trade by 7.0 percent in 1988 was not last of all connected with the increase in raw material exports, which generated even a certain increase in prices on a number of raw material commodities.

Economic expansion gradually generated the prerequisites for increasing the effectiveness of social production. The significant increase in the investment-intensiveness of production connected with the prolonged coexistence of a mass of old and the growth of new fixed capital accompanied the growth of labor productivity in preceding years. A number of questions remain concerning the measurement of the beneficial effect of new products that cannot be compared with the old: it is especially difficult to evaluate this effect with respect to such a product as the computer. The last evaluations attest to the increase in the growth rates of such an integral indicator as general factor productivity: from 0.6 percent in 1980-1986 to 1.2 percent in 1987-1990.

The economic development of capitalist countries in the '80's, connected with the need to overcome an enormous degree of indeterminacy in the environment, generated a high degree of coordination of policy both at the corporate and state level. International mergers are taking place and joint ventures are established even by competing firms at the microlevel. An ever more appreciable role at the international level is played by meetings of the "big seven," the "group of seven," etc. The question of limits to international regulation arises. Unquestionably, both state national organs and international organizations have in the last one and one-half decades acquired vast experience in extricating themselves from various kinds of crisis situations. Systems have been developed for influencing economic processes with the aid of the monitoring of such measurable and "tangible" parameters as the dynamics of the money mass, accessibility, the price of credit, etc. Postwar state regulation was usually in the nature of a "fire"—decisions were made only under the threat of the sharp deterioration of the situation. The inevitable result of this was that the real influence made itself known not only with a delay but

frequently led to unpredictable results (that are frequently the opposite of the projections). Current economic regulation in the West (both at the national and international level) recalls the strategy of "frontline defense." For example, the goal is set of using indirect methods to restrain inflation before its development acquires an accelerated and uncontrollable nature. It is specifically just as appropriate to evaluate, in particular, attempts to "cool down" the British and to a certain degree the U. S. economy in the fall of 1988 and the beginning of 1989.

I would like to discuss the problem of crisis. The question of the character of a future recession or the stagnation of production is quite simple: under present conditions, is it possible to avoid inflation and by "cooling off" economic activity make a "soft landing," i. e., stagnation instead of crisis. There is obviously no doubt that a recession of one type or another is unavoidable. If we examine the present stage of expansion in the USA separately, it will last only about 2 years (starting in the fall of 1987). The stock exchange panic led to the temporary lowering of interest rates and thereby promoted the investment boom all the more so because the credit-finance system endured. Only recently did the rapid and uneven growth of production capacities begin to develop in full force. While bottlenecks exist in the economy, broad inflationary processes have not yet developed, particularly in the raw materials markets, which restrains the two driving forces behind inflation: higher costs and excessive (in a number of markets) demand. A "full-blown" crisis is possible when the overaccumulation of capital reaches critical proportions.

On a theoretical plane, it is of interest to return to the question of what is meant by the "uncertainty" of markets under present conditions, given the ability of big business to adjust supply in various phases of the industrial cycle. This problem was formulated by Academician Ye. S. Varga, whose jubilee we are celebrating this year. He wrote in 1963: "Not only the overproduction that follows expansion but also the state of the capitalist market in general are now considerably better known to capitalists than during Marx's time or even 30 years ago. At that time, there was less of this information and it was published after long delay...."³ This question becomes highly significant with the advent of the information revolution. The system of personal computers is capable of storing sufficient economic data so that large corporations can at any time obtain accurate information on the dynamics of sales, the size of inventories, the state of the capital market, etc. According to unofficial estimates, the market in economic consulting services in the USA exceeds \$2 billion. Does this eliminate market "uncertainty" or (more broadly) the indeterminacy of the economic environment? The "past" is now studied quickly and, evidently, quite completely. Current events containing much difficult-to-decipher information about the future, or the "present" become known instantaneously. Hence the reduced uncertainty regarding the sales market and the parameters of the current economic

environment. This is highly consequential to the functioning of the capitalist market since more and more parameters can be forecast and monitored. Compared with the past, there are fewer errors connected with distorted views of events. At the same time, evaluations of the forecast of future development and decision-making are performed by competing firms and hence objectively there is still room for error. The "non-inertial" part of the future still remains a riddle. The needs and hence the behavior of customers and businessmen become more complicated. Goods and services are increasingly differentiated and their productive and personal consumption are becoming individualized. Enormous new information flows are generated by the expanded opportunity of choice for each participant in economic activity. It is by no means obvious which tendency prevails: the increased number and complexity of information flows or the increase in the rate of their processing and evaluation.

In this context it should be remembered that the very fact that the accumulation of disproportions in the course of expansion or (more broadly) contradictions of reproduction still does not indicate that a crisis has begun. Such a point is in principle impossible to predict. And here it is necessary to return once again to the content and functions of the economic crisis. Its definition cannot be reduced to the decline of the produced commodity mass. Clearing the road for the new phase of development means the forcible adjustment of the proportions of reproduction. But it acquires an explosive character and generates landslide processes of demand and supply. In this connection, certain changes can be noted in the parameters of the phases of the postwar industrial cycle in the USA. Thus in phases of the crisis, the depth of the drop in industrial production less than average corresponds to the previous (prewar decades not counting the crisis in the early '30's) duration of cutbacks in production. But now the longer duration of phases of the expansion in the postwar period may be connected with significantly lesser average monthly growth rates of industrial production (0.5 percent against 1 percent), *inter alia* at the very end of the expansion. Consequently, capital overaccumulation processes are less intensively transformed into commodity overproduction. The behavior of big business that is maneuvering commodity supply is more cautious. If we leave aside the external structural (shock) influences so typical of the last decades, the possibility of corporations to adapt to current complications of the reproductive process is considerably greater.

We are witnessing economic expansion in which cyclical regularities may be manifested more independently than in the last one and a half decades since structural changes now have a much more stable, definite, and predictable character. The capitalist economy has embarked on a definite mainline of development. What is more, the national economy's return on structural reforms based on the present stage of the scientific-technological revolution will evidently grow in the '90's. The cyclical

picture of development of the capitalist economy (assuming the absence of unexpected large-scale shocks) in the next decade will evidently externally remind us more of the '50's and '60's than the '70's and '80's.

Footnotes

1. Certain other materials of the Scientific Council will be published in one of the next issues of the journal.
2. Data on economic growth rates in the developed capitalist countries in the '80's and other indicators are cited in the "Economic Status of Capitalist and Developing Countries. Appendix to ME I MO. Survey for 1988 and the Beginning of 1989."
3. Ye. Varga, "Ocherki po problemam politekonomii kapitalizma [Essays on Problems of the Political Economy of Capitalism], Moscow, 1965, p 256.

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COMMENT

Critique of Western Social Democrats Criticized

18160018g Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 8, Aug 89 pp 122-124

[Article by Aleksandr Borisovich Veber, doctor of historical sciences; specialist on the capitalist economy and the labor movement: "Such Are the Pirogi"]

[Text] An article by L. Piyasheva entitled "Taking a Close Look at the Social Democratic Experience" was published in the "Point of View" column of the April issue of MEZHDUNARODNAYA ZHIZN.

The article addressed many questions that, in the author's words, still remain to be analyzed. For example: "Why have M. Thatcher, R. Reagan, and H. Kohl joined the ranks of the most popular leaders in the postwar decades? Why did M. Friedman and F. Hayek, whose figures were considered odious for their stubborn aspiration to economic liberalism, become leading economists who advised the U. S. and British governments?" And also: "In the name of what goal did social democracy make its constant political compromises and did it attain this goal?"

Piyasheva believes that the answer will help to reveal the experience of the practical internal political activity of the West German social democrats. This is, strictly speaking, the subject of the article. The conclusions in fact extend to all social democracy. And they are formulated definitely and unequivocally: the experience of the social democrats has yielded nothing; they have attained nothing.

But it is not up to me to defend social democracy. Indeed, it does not need my defense. The social democrats, including the West German social democrats, has many weaknesses. Their policies and theories are contradictory and inconsistent. But when you read the article you will soon discover that the author's pen was driven not by the desire to understand social democracy and its contradictions, which also reflect the contradictions of real life, but by something else. "We must," writes Piyasheva, "comprehend in all seriousness...the warning given by F. Hayek—our main opponent from the conservative-monetarist camp (it can also be added—and a vehement enemy of socialism and the labor movement.—A. V.—that even the peaceful, social democratic road to socialism is the road to the same total collectivism, to socialization-stationization, to a planned-command economy, the road to monopolism and the suppression of individualism, democracy, and personal freedom."

Having studied social democracy more than a single decade, I dare to say that it is impossible to relate to such an evaluation "in all seriousness." It is not by chance that the article's author has to resort to misrepresentations, strained interpretations, to pass over questions in silence, if not more, in the effort to prove her basic thesis. She uses only the earlier documents of the Social Democratic Party of Germany. She says not a word about the fact that the party for several years—in the course of discussing its program—redefined many of its views and evaluations (in particular, concerning the role and function of the state), that it formulated a new program, the draft of which will be discussed at a party congress this year.

The tendentiousness inheres in the very fact that the goals and policy of the social democrats are characterized as "anti-market," even though the measures that are discussed (the policy of employment, economic stability, price control, etc.) have in one form or another been practiced and are being practiced by bourgeois parties that cannot in any way be suspected of the desire to eliminate the market. This is known to anyone, naturally including the article's author, who has even the slightest familiarity with the subject.

Nothing is said about the system of social services and guarantees in the Federal Republic of Germany, which is one of the most highly developed in the Western world. But after all it formed as a result of the age-old struggle of the German labor movement and social democracy as a part of it. The high level of development of production, like the standard of living in this country, cannot be understood without taking into account the role of the labor movement, the democratic movement that stimulates and encourages development.

Nor is there a word about the "quality of life" concept advanced by social democracy, about the "social indicators" developed by it, about its real contribution to the development of general and vocational-technical education, medical care, housing construction, production

democracy, etc. The article's author sees one light in the window: the free market, free competition, and private enterprise. She speaks with enmity about everything that concerns social control under the conditions of the market economy, social needs, social guarantees, and social justice.

And therefore you cease to be surprised when you read that the social democratic policy of state regulation has left no place for the classical features of stability that "from the times of Adam Smith have served as the criteria of rational economic activity of the state" and that the economic crisis "has come to be perceived as only a sociopolitical (?) phenomenon, that has lost its positive (!) economic sense."

One recalls by association L. Popkova's short note entitled "Where Are the Pirogi Meatier?" which was published in NOVYY MIR (No 5, 1987)—both "points of view" are very similar. L. Popkova (who is, incidentally, also a candidate of economic sciences) disputed the opinion of "Western socialists and our commodityists" that the "era of the pure market economy" is a thing of the past. And she predicted that the Western world was still just on its threshold. However socialists are by no means the only ones of the opinion that a "pure market" practically does not exist anywhere. This opinion is shared by most serious economists because in Western countries everywhere the economic mechanism is a combination of market and non-market systems. Here is one quite typical judgment that belongs to a representative of Western academic science. The choice between market and management (government) is usually the "choice between different combinations of both, between different measures of one and the other mode of resource allocation. If the dominant choice is made in favor of the market, the substantial role of the non-market (i. e., management) is preserved and because of all-penetrating and inevitable market failures must be preserved."¹

But if Popkova, while disputing such this opinion and painting the picture of a market idyll, nevertheless tries to substantiate her position in some way (albeit incorrectly), Piyasheva does not even trouble herself to search for arguments. Judging by everything, the elucidation of scientific truth is not part of her plan since we are dealing not with "pure science" but with ideological criticism of social democracy from the right. The main arguments are directly borrowed from the SDPG's right-wing enemies, including F.-J. Strauss, the late chairman of the CSU [Christian Social Union]. Not only arguments but dirty tricks as well. How else is one to under such assessments, for example: "the SDPG's partiality for old technologies," "the squandering of national wealth and the devouring of the future," "the dismantling of the economy," etc.?

Adopting the pose of the prosecutor, Piyasheva accuses social democracy of setting socialist goals for itself, of wanting "to build socialism," and therefore of suffering

failure. Once again misrepresentation: the knowledgeable reader knows that social democrats have their own understanding of socialism. They do not pose the question of "building socialism." They view democratic socialism as more of a moral and political problem—as the affirmation of a certain system of values in society.

Here we see with our own eyes the result of the accusatory bias not only in jurisprudence but in political publicism. The indictment is formulated sternly and does not leave any chances for the social democrats. It includes "blind alley," "the loss of prospect for development," and even the statement that all this compelled them to "leave the political arena (!) and to yield to the conservatives."

That's enough. One must know when to stop! Social democracy even today remains one of the most influential political forces in Western Europe. A number of socialist and social democratic parties are at the head of the government or belong to government coalitions. As regards the SDPG, of late it has strengthened its positions and has scored notable successes in the elections in a number of states [Lander]. According to public opinion polls, its influence is growing. It is difficult to believe that the author does not know this.

It is possible to relate to the experience of social democracy in various ways: accept it, reject it, agree with it, or criticize it. I think that if we approach this experience seriously, without ideological prejudice, we will find much that is interesting and beneficial to us from the standpoint of perestroika. But this is not what Piyasheva's article is about. The reader to understand that one only has to look at the social democrats' documents to "find many unexpectedly familiar motifs and expressive parallels."

What kind of parallels? Social democracy is depicted as a political force that is devoted to peremptory administrative methods of management and that bears the responsibility for the expansion of the role of the state in Western countries. But what then of countries in which bourgeois parties are in power? In 1985 47 percent of the GNP in capitalist centers was directed to development goals through state channels, including 48 percent in Great Britain (conservative government), 47 percent in the FRG (bourgeois coalition), 37 percent in the USA, etc.

Why was it necessary to picture the activity of the SDPG in such a tendentious light? We find the answer at the very beginning of the article. Piyasheva is concerned that we might go to the extreme in our evaluation of the social democrats—that we not consider them "seers" who have found their own peaceful, evolutionary road to socialism,—she adds not without sarcasm—that in which we would so like to see our present and hoped-for democratic socialism.

Such are the pirogi. Incidentally, it is impossible to agree with the warning against the uncritical borrowing of ready models claiming to be universal. But with the

qualification that this applies equally to the neoconservative model of Friedman and Hayek. It is necessary to learn from the experience of other, but the question is what and how to study. We must not go from one extreme to the other.

Footnotes

1. Ch. Wolf, "Markets and Governments," Cambridge (Mass.)-London, 1988, p. 151.

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SCIENTIFIC LIFE

Conference Discusses Need to Reform CEMA

18160018h Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 8, Aug 89 pp 125-127

[Article by Sergey Vsevolodovich Kolchin, candidate of economic sciences; senior scientific associate, Institute of Economics of the World Socialist System, USSR Academy of Sciences: "40 Years of the Council for Mutual Economic Assistance: Results and Prospects for Renewal"]

[Text] In 1989 countries in the socialist community are observing the 40th anniversary of the Council for Mutual Economic Assistance. And it is probably for the first time in an anniversary year that attention is primarily focused not on successes and accomplishments but rather on making new, constructive decisions.

In late February and early March 1989 Moscow was the site of the international scientific-practical conference on "Problems of Restructuring of the Mechanism of Multilateral Cooperation and Socialist Economic Integration and Activity of the CEMA." V. Sychev, CEMA secretary, who opened the conference, emphasized the importance of improving the economic integration mechanism and the timeliness of formulating a scientifically substantiated concept of further development of the international socialist division of labor.

The resolution of problems pertaining to the multilateral cooperation of CEMA countries and to the interaction of their economies is integrally connected with the total diversity of renovation processes in socialist society, with the main directions of formulation of a model of socialism appropriate to the new historical conditions. This interrelationship was emphasized in the address by Academician O. Bogomolov, director of the Institute of Economics of the World Socialist System of the USSR Academy of Sciences, who analyzed profound changes taking place in the socialist world and perestroika in various spheres of social life.

He noted that the development of the new takes the form of refining theory on the economic structure of

socialism, of practical testing of proposed economic solutions, and of broad economic experimentation. The economic model of contemporary socialism forms as a result of the collective experience of the economic development of socialist countries in which the modernization processes have a largely similar orientation.

A special role is played above all by the attainment of sufficient freedom by producers and consumers on the basis of the rehabilitation of commodity-monetary market relations. These relations, viewed not as the rudiments of capitalism but as an effective mechanism formed by the entire history of mankind and placed in the service of socialism—such is the most important source of change in the economic life of socialist countries.

This does not in the least contradict the fundamental principles of our social order or the experience of planned economic organization. Nevertheless, the emphasis in planning should obviously be shifted from mandatory regulation to indicative forecasting of economic activity in combination with the expanded initiative and independence of enterprises.

The general systems character of economic modernization processes is manifested not only in similar directions and methods of addressing the problems confronting countries in the [socialist] community. It is also connected with fact that the flaws of the old economic mechanism and hence also the difficulties surfacing in the course of the reforms are of the same type. Considerable complications arise in particular as a result of the fact that the accumulation of problems triggers a sharp social response and demands immediate solutions that are often at odds with the logic of the current reforms.

A feature that the present reforms have in common is that they extend not only to the economic sphere but to society's political structures as well. Countries are also unified by their understanding of the need for a new view of modern capitalism and for the constructive use of certain elements of the experience of its development.

He also analyzed the genesis and specifics of economic restructuring processes in individual socialist countries and noted distinguishing features of their national economic policy. The initial results obtained in countries that have reorganized their economies most intensively (Poland, Hungary) are of unquestionable value for the formulation of a collective strategy for the modernization of the social economic system. This also applies to the search for joint solutions in the area of economic relations between countries in the socialist community.

The interrelationship of prospects for the restructuring of cooperation with problems of intraeconomic development were also noted by Ya. Penkava (Czechoslovak Socialist Republic [CSSR]), who discussed structural changes in national production in CEMA countries, and D. Shimon (Hungarian People's Republic), who spoke about problems connected with the inflationary rise of prices.

A large group of participants in the conference—M. Savov and Ye. Mateyev (People's Republic of Bulgaria), Ya. Kozma (Hungarian People's Republic), V. Kunts (GDR), M. Ostrovski and Yu. Soldachuk (Polish People's Republic), and V. Kvesh (CSSR)—devoted their remarks to the restructuring of the socialist economic integration mechanism. The regional aspect of this problem was examined by V. Budkin (Ukrainian SSR Academy of Sciences). Cooperative functions of CEMA countries in the light of the concept of global economic interdependence were the subject of the report delivered by N. Cherkasov (Leningrad State University). Scholars from Mongolia and Cuba addressed certain features of the present stage of their countries' participation in the international socialist division of labor.

The discussion of the restructuring of the cooperative mechanism of CEMA member nations and socialist economic integration continued during the roundtable exchange of ideas on the second day of the conference. The sitting was opened by Yu. Shiryayev, corresponding member, USSR Academy of Sciences; director, International Institute of Economic Problems of the World Socialist System [IEMSS]. V. Shastitko, deputy director, IEMSS, was the moderator of the discussion. Soviet scholars and visitors from CEMA countries, workers in practical organizations, and associates of CEMA and international institutes participated in the roundtable discussion.

Participants in the conference and the roundtable discussion arrived at the virtually unanimous conclusion that a cooperation mechanism geared to the extensive development of a socialist economy does not meet the demands of today. Nor was there any particular disagreement on the general orientation of changes in this mechanism, which is determined by the need for market relations between countries, by the activation of commodity-monetary regulators of cooperation, and by the growth of the role of the primary economic link as the subject of international economic relations. It is therefore natural that attention was focused on problems connected with the conditions and prospects of creating a unified socialist market as the most important sphere of integrated interaction of the CEMA member nations.

A number of conceptual principles of the new model of cooperation was examined in the course of the discussion. While acknowledging the need for change, participants in the discussion expressed opinions concerning potential and prospective development of cooperation on a market basis, stages and its final goals, and the content of the concept of the "unified socialist market."

The idea of the instantaneous creation of a unified market as a kind of *ad hoc* solution to the problems confronting the community raised objections on the part of a number of participants. In the given instance, as a number of speakers emphasized, there is the danger that the latest slogan or actions that merely imitate market activity will take the place of real steps to restructure the cooperative mechanism. This point was made by Yu.

Shiryayev, A. Nekipelov (IEMSS), and M. Savov. In this regard, L. Rusmikh (CSSR) recalled the nonfulfillment of tasks posed by the Comprehensive Program of Socialist Economic Integration in this area.

A serious obstacle on the road to the establishment of market relations between national commodity producers is the lack of development of these relations, disproportions and scarcity of commodities in internal markets, and the different orientation of reforms of national economic mechanisms in various countries. This point was discussed by Yu. Payestka (Polish People's Republic), A. Shinkovich (HPR), M. Ostrovski, and certain others. They view movement toward the market model of cooperation as a long, gradual process.

At the same time, CEMA countries feel that they do not have enough time to solve the problems confronting. This was specially emphasized in the remarks of N. Bautin (International Institute of Economic Problems of the World Socialist System [MIEP MSS]). Participants in the discussion for the most part spoke out for the parallel development of national markets and international market relations within the CEMA. Moreover, as noted by M. Maksimova (IMEMO), the latter must not merely follow national practice but to a considerable degree must stimulate it. Certain stages in the process of formation of the unified CEMA market were proposed. Yu. Shiryayev, in particular, singled out stabilization programs for the saturation of the internal consumer market as an intermediate stage.

The creation of single commodity markets in various areas as a step toward a unified market was proposed by K. Lyuft (GDR). N. Bautina expressed an interesting idea on the participation of enterprises of various countries in competition for state orders as a possible combination of plan and competitive principles in the economy. A number of speakers—V. Kvesh, Yu. Soldachuk, and Yu. Payestka—indicated the possibility of organizing market relations between individual CEMA countries with due regard to differences in their national economic mechanisms and the specifics of their economic interests.

Much attention was devoted to concrete measures for restructuring the integration mechanism. Yu. Shiryayev pointed to such an aspect as the creation of an effective system of political cooperation ensuring the efficacy of economic decisions. Also examined was a complex of economic measures, among which special emphasis was given to the need for the transition to quota-free exchange [*beskontingentnyy obmen*], the reform of prices and currency exchange rates, and the differentiation of functions of the macro- and microlevels in the economy and in cooperation.

The problem indicated by Yu. Shiryayev regarding the formation of an optimal subject of cooperation under conditions where economic relations between countries are replaced by relations between independent enterprises operating in the external market received special attention in the discussion. The relationship of plan and

market under the new conditions also generated discussion. In the opinion of Ya. Kozma and Yu. Soldachuk, the sphere of planned regulation must be restricted to the strategic tasks of development. V. Kunts, however, while recognizing the growth of the role of the basic economic link, considers the coordination of plans to be the main instrument in the coordination of the economic policy of CEMA countries.

The differentiation of opinions was also manifested in the discussion of the goals of the unified CEMA market, its content, and its differences from analogues in the capitalist world. Some speakers (Yu. Shiryayev, N. Bautina, K. Lyuft) focused attention on such tasks of the newly forming market as the acceleration of regional scientific-technical progress and the dramatic improvement of product quality and competitiveness. Others, like Ya. Kozma, for example, see the sense of change to lie primarily in the modification of economic relations. In his opinion, the unified socialist market must be based on the independence of enterprises and the possibility of direct relations between them in the international sphere and the developed currency and financial system.

Yu. Soldachuk believes that the unified market, not confining itself exclusively to the movement of goods, must also include the market for services, technologies, capital, and manpower. In the opinion of V. Kunts, the absence of a single market of CEMA countries is due not to the lack of the possibility of the unrestricted movement of goods and factors of production but to the scarcity of the goods proper. Citing the comparison with the international capitalist market, Bulgarian scholars Ye. Mateyev and M. Sadov noted that it is impossible to automatically extend all capitalist market mechanisms to relations between socialist countries. The optimal combination of plan and market principles, the "implantation" of market regulators in the socialist economy remain as yet an unresolvable problem. This point was also discussed at the conference by roundtable participants D. Shimon and Yu. Payestka.

In M. Maksimova's opinion, there must be broader use of the positive experience of the organization of economic ties and relations in the European Community. The present EC reform, which envisages the establishment of a single market by 1992, merits our unflagging attention. The relationship between the creation of the unified CEMA market and the development of intersystemic relations was also noted by other participants in the discussion.

As V. Shastitko emphasized, the inclusion of CEMA countries in the international division of labor can be successful if the CEMA becomes an integrated community organized on the basis of market relations.

I note in conclusion one more topic that became the *leitmotif* of the entire discussion. It is the idea that there is the need for the in-depth scientific study of the concept of the unified socialist market, that could serve as the basis for concrete economic decisions to intensify reciprocal

cooperation. There is reason to believe that participants in the conference have taken a step in that direction.

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ECONOMIC MONITOR

Lack of Real Payment for Products in Soviet Economy Explained

18160018i Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYE OTNOSHENIYA in Russian No 8, Aug 89 p 128

[Interview with Andrey Ilich Kazmin, candidate of economic sciences; senior scientific associate, Permanent Commission for the Study of the Natural Productive Forces of the USSR, USSR Academy of Sciences by the "Economic Monitor"]

[Text] [Monitor] C-M (commodity-money) is an elementary market operation in the realization of commodities. The purchase is voluntary. The commodity and delivery schedule must conform to the contract. The customer (firm, private person, cooperative), upon being satisfied that the contract has been fulfilled, transfers the funds: C-M is effected! Does this simple mechanism work in our economy?

[Kazmin]: The realization of commodities as such does actually not exist in our country with the exception of retail trade. Deliveries of the bulk of raw materials and semifabricated goods, equipment, and consumer goods are based on *raznaryadki* [sub-allocation orders] issued by Gosplan, Gossnab, or branch ministries in accordance with the control figures (their names have changed) of the current five-year plan. All payments are made automatically for list prices and essentially do not involve the participation of the parties.

[Monitor]: Experts on world economics intuitively realize that the movement of goods in our economy merely imitates the realization process. To what extent does it differ technically from the Western version?

[Kazmin]: Sellers and buyers do not exist in payment documents—there are only shippers and consignees. The semantics also express the content of the process: the automatic realization of the entire commodity mass that is produced. Money is used for statistical purposes, not for payments.

[Monitor]: This kind of realization means at the very least that customers either have no rights or that they only have the right to refuse to pay if the terms of the contract are not met (monopoly on the part of the supplier).

[Kazmin]: At the present time, it is difficult to talk about rights because the consignees do not even pay the bills themselves. Ordinarily (bankruptcy aside), the bank takes it upon itself to pay the bills submitted by the shippers

practically independently of the customer enterprises. On the strength of the shipping documents, the shippers receive money on credit from their local bank without any regard whatsoever to the consignees' financial ability or desire to pay the bills submitted by the shippers.

[Monitor]: In the West the shipper grants commercial credit to the customer. Here there is automatic credit for the shipper. Is the interest high?

[Kazmin]: The interest charges are moderate: usually two percent annual interest up to a month. But one must also realize that the consignee at the same time almost automatically pays bills received by mail by other bank credit.

[Monitor]: Two loans for the same shipment?

[Kazmin]: Actually more than that since at every juncture (the wholesale link, etc), everything is credited anew and automatically. Under the acceptance form of accounting (which accounts for 60 percent of the noncash turnover between enterprises), payments are made without the customers' consent irrespective of their financial status. The bill for a shipment is usually paid on same day it arrives even though it is possible within a 3-day period to refuse to accept products already paid for but not yet delivered. As a result, in 1986 (the latest published data), 2.3 trillion rubles—3.9 times more than the national income—were granted in short-term loans (up to 1 year), and an enormous mass of noncash money (the inflationary factor) was in fact "pumped" into the economy.

[Monitor]: What if the consignee is without funds?

[Kazmin]: There is a fine of 28 percent, but "one does not take from the poor." But in time the credit granted to the shipper for a shipment will be taken away from the shipper and he clearly will be unable to try to get his money from the consignee. Thus, on the one hand the supplier is defenseless in the face of an insolvent consignee while on the other hand the consignee usually pays for a pig in a poke. The banking system declares the produced commodity mass to be necessary to society by automatically paying for it.

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BOOK REVIEWS

Book on Social Democrats Reviewed

18160018j Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 8, Aug 89 pp 129-132

[Review by M. Neymark of book "V poiskakh 'tretyego puti.' Evolyutsiya ideologii sotsial-demokratii v sovremennuyu epokhu" [In Search of the 'Third Road.' Evolution of Social Democratic Ideology in the Modern Age] by S. S. Salychev, MYSL, Moscow, 1988, 314 pages]

[Text] A book by a major Soviet scholar who died in 1983 in the flower of his creativity has been published. He enjoyed the reputation of a researcher with a broad outlook. He was one of the few specialists who actively studied the past and present of the social democratic movement.

S. Salychev always tried to avoid simplistic, "phenomenological" analysis oriented primarily toward the description of phenomena, toward the retelling of events and facts. He realized that this kind of analysis always fails to bring to light the fundamental relationships between phenomena and general social trends. He was outstanding not only for his natural attraction for the new, but what is more important, for his keen interest in investigating everything that helps to discover the new, its sources and deep interrelationships. The scholar's last work remained unfinished.

One can appreciate the delicacy of the situation confronting anyone who writes about a book whose author is no longer living. The situation is complicated still further when the point at issue is the evaluation from today's standpoint of a work that was written at a time when it was only possible to dream about the restructuring of all aspects of our society's life, which is connected with the affirmation of the new political thinking. It is easy to prophesy the past but not the future.

The monograph clearly bears the stamp of its time. Conceived and written in a different historical context, it predated the restructuring phase of our society's development. Such noncoincidence of historical phases so different in their political, sociocultural, moral, and psychological characteristics inevitably predetermines the theoretical and methodological vulnerability of the analysis. This does not in any way diminish the soundness of the author's knowledge, his highly professional skill of saying a great deal in a few words, his ability to maintain close balance between general theoretical material and factual material reflecting the specific character of social democracy in individual countries.

One can understand the keen interest shown in this work by those who closely follow the development of the international labor movement and its various currents because it graphically reflects the typical features, sore points, and ills of our social science. S. Salychev endorsed approaches that were at that time shared by many, but of course not all, researchers of social democracy.

Frankly speaking, has the as yet short-lived period of perestroika radically altered or at least injected a feeling of conscience into the mental logic of those who, according to Yu. Tynyanov's figurative expression, are wont to speak with "yesterday's voice," sincerely persuading their fellows or perhaps to a greater degree themselves that the deep-seated change in values in their own "I", connected with the affirmation of the new political thinking, culminated before it began in others?

S. Salychev always spoke with his own voice. He was always distinguished by his natural persuasiveness and rare consistency, and, it would be no exaggeration to say, his sincere belief (which was sometimes taken for dogmatic and doctrinaire) in the truth of his position, the character of which—this is another matter—determined (it seems to me) his excessively elevated ideas concerning the potential and prospects of the “explosive” transition to socialism.

But even those few researchers who did not share the dominant approaches to the study of social democracy constantly felt the all-embracing press of forced ideological symbols, simplistically interpreted class and revolutionary concepts and corresponding criteria in the evaluation of its theory and practice. Is this not the reason why it was so difficult to avoid theoretical, methodological and political costs and biases in the interpretation of essentially contradictory social democracy.

The book views the social democratic phenomenon exclusively through the prism of the strict correlation between reform and revolution and the clearly expressed priority of the class struggle. This is also the reason why primary attention is focused on important ideological issues on which the communists disagree with the social democrats. The ideological confrontation between them inevitably had to become the theoretical and methodological core of the work. The competitive essence, the political rivalry of the coexistence and confrontation of these currents in the labor movement were outside the central field of the investigation. This was all the more the case because the fundamentally important issue of differences between social democratic reformism and bourgeois reformism remained in the shadows.

Can this be the basis for rebuke today? Hardly. This is not the mistake of an individual author, but is a generalized sign, the manifestation of a definite pattern: for decades our social science was dominated by an exceedingly ideologized tendency that did not go beyond the framework of narrow, class-oriented characterizations and reference points. It was fundamentally predicated on the *a priori* rightness of our social knowledge and the absolutized truths of our ideology. Everything else was considered incorrect, untrue, or falsified. Hence the hidden, and not infrequently, obvious prejudice of analysis in history and political science that was rooted in our social scientists' awareness of the readiness to contrast rather than compare positions.

Prolonged isolation from the realities of the modern world became the inevitable result of such a “confrontational cognitive” approach. (This should not be surprising when even with the advent of perestroika only three percent (!) of our social scientists at the higher education level use sources written in foreign languages).

To say that historical science is heavily in society's debt is to state only one part of the bitter truth that is acknowledged by everyone. The other part lies in a question to which the answer is by no means obvious: do

many representatives of this field of knowledge agree that they are in debt to their own conscience? It must honestly be admitted that perestroika has revealed the real drama of consciousness of social science that whimsically reflects the difficulties and contradictions of the preceding decades.

The reasons for this were numerous. A particular impact was exerted by a kind of vertical political culture, by the conformist habit of following instructions from above, of “serving” politics and propaganda that posed the conscience-eroding task of acquiring monopolistic rather than genuine truth under the pretext of defending the purity of the ideology.

We are the children of rigid political culture, of fetishized thinking. Over the years and decades the country developed the consciousness of distorted censorship. Analysis in social science was for a long time forced to conform to the most effective type of control: self-control. “Pedagogues” of the Stalin era and later guardians (and at the same time, slaves) of the spirit of stagnation were skilled at educating the “inner censor” under the conditions of “hostile foreign encirclement.” There is no need to speak of the tragic consequences of the split consciousness fed by deception and self-deception.

In many works there was accordingly seen the corrosion, the deadening of the analysis of the ideas and political positions of social democracy. Researchers proceeded (and frequently continue to do so even today) from the theoretically “ideal” line of historical development and interpreted any deviation from this line, that reflected the objective contradictions of actual reality, as opportunism, as compromise, as ignoring the basic interests of the working class. They thus did not take into account the dialectics of the possible and the real, of the random and the necessary in the activity of social democracy. This approach, which was elevated to the self-sufficing category of an absolute, was the inevitable result of the utopian vision of socialism, of the deification of the future to the detriment of the practical tasks of the struggle to bring it closer.

The proper analysis of the theory and practice of social democracy, together with the appropriate prognostic conclusions, presupposes freedom from the stagnant psychology of stereotypes and myths, from rigid ideological and political formulas for all eventualities; the willingness to measure truth not only against others but against ourselves as well; and the ability to make a constructive, critical appraisal of what is valuable for mutual enrichment, of that which is contained in the arguments of one's opponents.

The fallaciousness of the tacit assumption of the very idea that a potential partner would make fundamental concessions, would adopt the ideological positions of the communists in the future has become more obvious today than ever before. There are objective limits to change in social democracy, to the evolution of its

intellectual and political doctrine. Beyond a doubt, social democracy will not permit the "erosion" of its ideological and political image.

The new thinking, which presupposes the self-critical attitude of communists toward their own activity, must not yield to the temptation of apparent obviousness in the evaluations of social democracy. The reference is in particular to the traditional understanding and estimates of the anticommunism of social democracy that were previously unequivocally subordinated to the logic of struggle in the name of intensification of ideological confrontation. In most works on social democracy (for the reasons cited here, the work under review is no exception), the political need to discern in every concrete historical moment anticommunism in its different, including its social-reformist, variants, and non-communism, was not seriously substantiated to any degree. And yet the basic essence and sociopolitical functions of anticommunism and noncommunism are by no means identical. The first is destructive by its nature. The latter, however, is an alternative. Considering this difference, we should not forget the witty and frankly farsighted statement of bourgeois propaganda that as far as communist parties are concerned, everything noncommunist is anticommunist. The threshold of political-ideological and emotional-psychological watchfulness of social democrats who knew of crimes and flagrant violations of legality during the period of Stalinism and stagnation lowered appreciably under the influence of the renewal of Soviet society, democratization, and glasnost. When we think about the future, we must proceed from the premise that the noncommunism of social democracy does not exclude the possibility of its interaction with communists not only in the struggle for peace and the survival of mankind, but also against bourgeois policy and ideology.

We are acquiring new hearing and new vision. We have begun differentiating nuances, tones, and half-tones. But we are not the only ones that are changing. There are also appreciable changes in social democracy and its party platforms. It would be wrong to critically evaluate all results of the intellectual and theoretical evolution of social democracy since the triumph of the reformist direction in it until our day (as has been done in many works on the subject to which the book under review is also devoted). The programs of socialist and social democratic parties contain many provisions that can satisfy the most exacting demands of working people who are oriented toward socialism. It is another matter that these provisions remain on paper; but they exist and, above all, correspond to the latent striving for socialist ideals that always lives in the consciousness of working people.

S. Salychev investigated problems of social democracy at another level of development. Being at a certain turning point in its own history today, it is searching for new avenues and solutions to socioeconomic and political problems. The approaches to fundamental problems of foreign and domestic policy that were traditional for it in

the past came into such contradiction with reality that their preservation would entail severe political consequences for individual parties and for the movement as a whole. To be sure, the effectiveness of attempts at the renewal of its tactical and strategic line has as yet proved to be very relative: the incipient state-monopoly restructuring, the change of the model of economic development are so unusual.

The evolution of the internal political positions of both communists and social democrats who uniquely experience every crisis in the adaptation to new conditions takes place against the background of these changes in capitalism that make a deep mark on their evaluations and conceptions, in a number of cases eroding the former clearly defined alternative watershed between the latter.

Social democracy expresses and protects a broad spectrum of needs of the labor movement, including those that the communists are struggling to satisfy. There is increasing interconnectedness of the functions that are performed by communists and social democrats that are feeling the growing influence of value orientations and fundamental principles of new social movements. All this together nullifies the formulation of the question of the priority role of one or another political party in the labor movement which is most urgently confronted with the correlation and collateral subordination of social-class, national, and global goals and interests.

The course of modern historical development itself greatly actualizes social democracy's civilizing function, the contribution that it makes to the development of social progress. Within the framework of the whole, interdependent world—a conception that reveals in a new way the dialectics of class and general human interests and goals, the old nihilistic view of the basic value orientations of social democracy and the ethical potential of a number of its fundamental principles can no longer remain unchanged. Constructive critical reinterpretation through the prism of this conception will make it possible to find additional points of contact between communists and social democrats. This is encouraged by the actual events; even now there is closer agreement between them on global problems of civilization.

There are two special features of the book that ends with an analysis of processes in social democracy in the '70's. On the one hand, it makes it possible to understand the road we have traveled during the years of perestroika, to understand the fundamentally new features that distinguish the present stage in the development of historical science from its state in the period of stagnation on the one hand and to clarify the degree of renewal of social democracy, the changes taking place in it, the nature of its adaptation to the altered situation and correspondingly its ability and actual readiness to move along the road of cooperation with the communists in the chronological comparison of problems on the other.

Perephrasing the wise expression in the literature, it can be said without exaggeration that it is difficult to enter

science, more difficult to get a foothold in science, and most difficult to remain in science. S. Salychev was not forgotten in his time. His last work is a kind of landmark in the development of our historical consciousness. His best writing (even if it is open to debate) stimulates—occasionally from the contrary—scientific thought and the search for answers to old and new unresolved problems that life with its contradictions, alogisms, and paradoxes places before us.

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Finnish Book on West European Economic Integration Reviewed

18160018k Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 8, Aug 89 pp 132-134

[Review by Ye. Krasnova of book "EY-EFTA-1992. Euroopan talousalue" [EC-EFTA-1992. European Economic Space] by K. Koivumaa and E. Waronen, Business Books, Helsinki, 1988, 130 pages]

[Text] Problems relating to the creation of a unified internal market in Western Europe are the subject of keen interest not only to the 12 EC participating nations but also to countries that are members of the European Free Trade Association (EFTA). They cannot permit themselves to lag behind integration processes and to remain outside the gates of the Community's unified market. The search for mutually acceptable variants of rapprochement with the EC is a timely but complex problem that includes constraints of a primarily political nature. There are no ready formulas for solving this problem. Each country tries to find its own model based on the national features of its development.

The thoughts of Finnish scholars K. Koivumaa and E. Waronen presented in the book "EC-EFTA-1992. European Economic Space" are of definite theoretical and practical interest. The compact work presents a serious analysis of a number of burning issues pertaining to integration. The degree to which the EC's ambitious plans are practicable, the fate of the EFTA against the background of the Community's efforts, the direction Finland's integration strategy should take under present conditions—these are the problems that occupy a central place.

The authors connect West European integration primarily with economic dynamics, viewing it as the process of structural change primarily at the microeconomic level. "The harmonization of legislation, the elimination of borders, and the standardization of taxation are the means, not the goal of integration" (p 10). They believe that the implementation of measures indicated in the EC "White Paper" (1985) must promote the creation of an economic space that will give business favorable conditions for the rationalization of its activity and thus for accelerating economic growth and for lowering the

unemployment level in the region. There seems to be some justification for this approach. But it is hardly appropriate to view this as some kind of new feature of EC integration policy in the '80's as the book does (p 9, 14, 19). Reliance on market forces and the stimulation of capitalist rationalization were the main task of international regulation within the framework of the Community from the very beginning. What is more, in our view it is specifically the recognition of competition as the basis of regulation of regional industrial development that leads to a situation in which the formation of "European" companies (which is noted in the book on p 85) has not become a mass phenomenon, to a situation in which EC countries continue to prefer more competitive partners from the USA and Japan.

The authors unfortunately lose sight of no less important aspects of integration associated with the regulation of structural and macroeconomic processes (at the interbranch, interstate [*mezhhgosudarstvennyy*] level, etc.). At the same time, in the EC there is more and more discussion of the need for an integrated industrial policy, the absence of which makes itself felt particularly in the face of structural crises.

K. Koivumaa and E. Waronen analyze in detail measures for eliminating physical, technical, and tax obstacles within the Common Market. A conclusion that we feel merits attention is the conclusion that the structure of the EC, the decision-making system, and disagreements among participants impose their own restrictions on the rate of progress, in consequence of which the reforms, while still continuing, are protracted (pp 23, 58, 59). The new phase of integration is understandably in large measure conditional upon factors in the international competitive struggle that dictate the common interest of EC countries in overcoming the considerable degree of economic disunity that still exists.

The most successful sections of the work appear to be the sections that are devoted to relations between the EFTA and the EC, the development of which will determine the future aspect of Western Europe. Many of the problems addressed in these sections could be the subject of separate study. First of all—the experience of the Association's functioning. The scholars trace stages in the EFTA's activity and connect its viability to the principles of "soft" integration that are practiced in a way that does not restrict the participants in their relations with the rest of the world. This is especially important for neutral countries which comprise the core of this grouping (pp 89-92).

In the authors' opinion, the new wave of integration in the EC is the next test of the EFTA's ability to adapt. Fearing the deterioration of its competitive position in Community markets, each of the Association's member nations is attempting to find its line of behavior under the altered conditions. The book presents possible models of interaction of EFTA countries with the Community developed by well-known Finnish specialist E. Antola as part of a project financed by the EC. Because

all of them are closely connected with the actual practice of EFTA countries, it is fitting to discuss them in greater detail.

The first model is full membership—something that is difficult for neutral countries. The second model is based on limited membership, which makes it possible to emphasize a country's special features (for example, its neutrality). The next model requires the creation of a new cooperative mechanism outside the EFTA and the EC, e. g., a special body vested with supranational decision-making powers whose task would be to interpret existing free trade agreements and to facilitate the elimination of trade barriers.

The authors describe these three models as "prospective future alternatives" (pp 93-94). It would indeed be naive to suppose that a neutral country will enjoy the benefits of participating in the big European market without assuming the corresponding obligations to the EC. As a member of the EC, a neutral country will hardly be able to preserve its independent security policy and at the same time secure its foreign political identity with the Community. It is moreover important to see that even economic integration is not only economics and technology but that it is also politics.

The remaining four models are evaluated as being more realistic. Their practical implementation has already begun. They include the path of multilateral cooperation that envisages agreements such as the Single Administrative Act (operative within the framework of the EC) that individual measures enacted within the Community also affect the EFTA. Another possibility is the branch approach, in accordance with which countries belonging to the latter would agree to standardize norms on the basic branches of industry under the oversight of branch task forces. As the book states, there is also the possibility of an "individual adaptation" model, on the basis of which each country would negotiate with the EC on the basis of its own requirements. The final, seventh, variant presupposes "joint and several adaptation" (p 94). This would mean the organized strengthening of the EFTA so that it would be an equal party to negotiations with the Community. It would be possible to conclude agreements in various areas concerning EFTA as a whole (*ibid.*).

After briefly reviewing the positions of each of the countries belonging to "The Six," the authors conclude that Austria along (p 95) is prepared to go farther than all of them in the belief that it is possible to find a formula for limited participation in the EC that would not be detrimental to the nation's neutrality. Time will show how far this grouping is willing to go to reach a compromise. At present, there are frequent voices in the Community that it is inconceivable that some of its members will be responsible only for trade while others will also be responsible for security problems.

In the authors' opinion, cooperation between the two groupings within the framework of the Luxembourg

Declaration (1984), which is oriented toward the creation of a "European economic space," is a flexible channel of involvement in integration processes in the EC. It opens up the possibility of moving together with the Community in measures to harmonize legislation. At the same time, each country reserves the right to negotiate on a bilateral basis with the EC on questions that are specifically important to it (p 100).

It is illustrative that in the present stage, the multilateral level of cooperation is for a number of reasons more to the EC's liking than bilateral decisions. The Finnish specialists believe that this circumstance corresponds to the interests of those EFTA countries that assign special importance to the Association in their integration strategy. The Community's clearly expressed priorities prior to 1992 suggest that at least for a number of years, the EFTA will serve all its present members as an effective and necessary means of organizing their foreign economic relations. Therefore the further strengthening of the EFTA and the development of its institutions correspond to a greater degree to present political realities than the different variants of membership in the EC (p 101). It is difficult to voice any objection to this.

It is entirely understandable that the book examines the question of Finnish participation in West European integration. The authors note that participation in the international division of labor in accordance with the principles of free trade and the policy of neutrality can be considered the principal direction of Finland's trade policy. Consequently the country's trade policy decisions affect only economic interaction without obligations along political lines. K. Koivumaa and E. Waronen believe that "the new stage of integration in the EC in the '80's did not generate any pressure whatsoever in the direction of changing the basic trade policy model" (p 106). Unlike other EFTA countries, Finland rejects entirely the variant of membership in the EC and strives for decisions that would promote the strengthening of the country's positions in the Community's markets on the one hand and would not hinder its independence in international affairs and its pursuit of a constructive foreign policy.

Proceeding from such prerequisites, Finland's state integration strategy is primarily based on cooperation between the EFTA and the EC (p 109). Less doubt concerning the unity, effectiveness and working ability of this grouping is expressed here than in any other EFTA country. On the other hand Finland, which became a full member of the EFTA in 1986, sees a serious problem to lie in the traditionally loose organizational structure of the Association and is striving to act to strengthen its secretariat and to intensify the decision-making mechanism. Helsinki considers it absolutely undesirable to convey to cooperation within the EFTA any kind of the supranational functions characteristic of relations between countries belonging to the Community. At the same time the country also leaves the door open to bilateral cooperation with the latter.

The authors emphasize that Finland's attitude toward the EC is "purely pragmatic" (p 111). Involvement in Western Europe's "domestic market" is unquestionably advantageous to Finland. But progress here, as noted, must be gradual and based on its experience. The difficulties that Finland will have to overcome are in large measure analogous to those that other countries will also have to overcome (take, for example, trade in agricultural commodities). But there are also specifically "Finnish" problems: the situation regarding the free movement of citizens is characterized as being most complex. "On the one hand," we read, "Finland must hold onto the reins of policy regarding foreign manpower on the one hand at the same time that Finland itself must participate, e. g., in EC educational exchange programs" (p 108).

The monograph also addresses problems of pan-European cooperation. The future of the Old World will be determined not only by the EC-EFTA integrated economic space, but also by changes connected with economic renewal in CEMA member nations and the interaction between the CEMA and the EC (p 112). The authors believe that there will be an increase in the intensity of East-West economic cooperation within the framework of the pan-European process (p 114). This conclusion is entirely natural. Economic, ecological, power, transport, and other European problems increasingly acquire a continental character and can be effectively resolved only through joint efforts.

Of course not everything that could be said in connection with the topic of economic integration in Western Europe found reflection in the pages of this short book. Unfortunately the timely topic of "northern cooperation" was not discussed at the same time that the authors did not fail to comment on the creation of the North American integrated market and the situation in the present (Uruguayan) round of GATT negotiations. But on the whole, in our view K. Koivumaa and E. Waronen wrote a useful work that will help the reader to get his bearings in the complex processes of current European reality.

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Garthoff Book on ABM Treaty Interpretation Reviewed

181600181 Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* in Russian No 8, Aug 89 pp 135-136

[Review by D. Klimov of book "Policy versus the Law. The Reinterpretation of the ABM Treaty" by Raymond L. Garthoff, The Brookings Institution, Washington, D. C., 1987, 117 pp]

[Text] The reinterpretation or what is also commonly called the "broad interpretation" of the ABM Treaty is examined in the monograph "Policy versus the Law. The

Reinterpretation of the ABM Treaty" by Raymond L. Garthoff, a leading associate of the Brookings Institution and a participant in the Salt I talks (in the process of which this treaty was drafted).

The reinterpretation idea was born in close connection with attempts at the outright repudiation of the ABM Treaty. "Without a doubt," the author notes, "the unilateral reinterpretation of the Treaty is the easiest way of modifying it. To amend it would require the assistance not only of the U. S. Senate but of the Soviet Union as well. Repudiation of the treaty would cause serious negative resonance in NATO countries and would have a most negative impact on the Soviet Union, including the almost certain termination of the arms control process between the USSR and USA" (p 5).

As we comment on this situation, we note that the SDI idea was met with skepticism in U. S. political and scientific circles. Many scientists and members of congress did not share President Reagan's optimistic views of the program from the very beginning. The fate of the ABM Treaty evoked the special concern of both one and the other. Thus while congress supported SDI as a research program, it clearly indicated that it would not allow it to go beyond the framework of the treaty. The White House justifiably feared that the unilateral repudiation of the treaty would result in the still greater hardening of positions on Capitol Hill which had already made significant cuts in SDI allocations. The fate of the entire program might be at stake.

The idea that the ABM Treaty might be interpreted differently than initially intended was first expressed by Donald Brinnan of the Hudson Institute in 1975, i. e., almost immediately after its ratification and the signing of the appropriate protocol (1974). This idea was next expressed independently of Brinnan in 1977 by A. Baker and W. Harris of the Rand Corporation. Even though R. Garthoff does not focus special attention on this point, he nevertheless notes that the idea was not made public until April 1985 by the Heritage Foundation, an organization that traditionally occupies right-wing, conservative positions in the U. S. political sector (p 6). The idea was publicized only when it was really needed to cover up work being performed within the framework of SDI.

The justification for the "broad interpretation" was prepared by Abraham Sofaer, chief legal adviser at the Department of State. The first attempts here were made by a certain Philip Kunsberg who took up this question at the request of Richard Pearl, an assistant to the erstwhile secretary of defense, and Fred Ickle, an under secretary of defense. P. Kunsberg wrote a 19-page report that radically reexamined the customary interpretation of the treaty. Thus it was said that it allowed not only development and testing but even the deployment of ABM defense systems based on new physical principles (p 7).

The problem was subsequently addressed by A. Sofaer. He also spoke out in favor of a "broad interpretation,"

but in his report confined himself to the statement that the treaty allowed only development and testing. Thereafter the Pentagon (or more precisely, Pearl and Ickle) decided to immediately reject the absurdly radical interpretation submitted by P. Kunsberg (p 8).

On 6 October 1985 R. McFarlane, the then national security aide to the president, stated that the White House had arrived at a new definition of the main circumstance stemming from the ABM Treaty. He did not say that the administration had reexamined the treaty and begun interpreting the circumstances differently. However he declared that the ABM defense systems based on the new physical principles "are allowed and authorized by the ABM Treaty" (pp 2-3). This was essentially the first official announcement of the "broad interpretation."

R. Garthoff writes: "In the event the new interpretation were to take effect, it would create significantly greater potential for development and testing under the SDI program" (p 5). Lt Gen J. Abrahamson, former director of the Strategic Defense Initiative Organization, stated in a speech to congress: "The time will obviously come when we enter the development stage. This stage will demand that we engage in more intensive testing and then we will have to modify the treaty so that it will not be an obstacle" (p 5).

R. McFarlane's statement was, strictly speaking, a kind of first trial balloon in the administration's attempt to impart official status to the reinterpretation idea. This attempt was met very cautiously and even negatively by the American public and the congress. But the justification for it had already been prepared by A. Sofaer and had been made public by him several days before R. McFarlane's statement. The book cites an interesting fact: on the same day that A. Sofaer submitted his report, on the anniversary of the day the ABM Treaty took effect, six former U. S. secretaries of defense (H. Brown, C. Clifford, M. Laird, R. McNamara, E. Richardson) came out with a statement. In this statement, they emphasized that the ABM Treaty "was making a significant contribution to the strengthening of American security" and warned both sides against actions that might undermine it (p 9).

Voices of protest have also been heard in the Senate. Thus, on 1 December 1986, Carl Levin (D-Michigan) made public a 12-page letter against the adoption of the "broad interpretation." Sam Nunn (D-Georgia) sent a letter to the President on 6 February 1987 in which he warned that the adoption of the latter without first consulting congress might lead to a "constitutional confrontation" (pp 15-16).

Concern over the intention of official Washington to adopt the "broad interpretation" of the ABM Treaty was expressed by many U. S. allies: M. Thatcher, prime minister of Great Britain; H. Kohl, chancellor of the Federal Republic of Germany; and Lord P. Carrington, the erstwhile secretary general of NATO. Concern was expressed by Japan, Canada, and other countries (ibid.).

R. Garthoff makes special mention of these examples which have become widely known today, showing one more time how insolvent the idea of reinterpretation was initially. He thus reinforces his prejudice against adopting an untraditional interpretation of the treaty.

In his recapitulation, the author writes that the decision-making process in the White House vis-a-vis the reinterpretation is "random and inadequate." "There was no internal discussion of the justification of the new interpretation," he writes. "The obvious negative consequences of making such a decision were not taken into account. There was no consultation within the administration. There was no discussion with the President before the new policy was adopted and made public. There was no consultation with congress. There was no consultation with allies who were not even informed about this. There was no consultation or even appropriate notification of the other side—the Soviet Union" (pp 18-19).

"The United States Constitution," R. Garthoff reminds us, obligates the President "to see to it that the laws are strictly observed." And in accordance with Article VI of the Constitution, the ABM Treaty is the "supreme law of the land." Thus, the question of interpretation requires more serious official analysis rather than rash political decisions" (p 101).

"The reinterpretation of the ABM Treaty," we read, posed numerous problems, influencing not only the future of the treaty, SDI, and strategic arms limitation and reduction, but also the development of relations between the USSR and USA, the international situation, and the internal political life of the nation, violating all democratic traditions in accordance with which policy is coordinated with the provisions of the law. The United States cannot allow itself to be found in the position of a Vietnam village, about which an American captain said the following: "We have to destroy it in order to save it," the author concludes (p 107).

In a sense the monograph under review continues a series of books, articles, pamphlets, and speeches by various U. S. political and public figures on the question of reinterpretation. Its very advent is evidence of the seriousness with which this problem is perceived in internal political debates. The opinion of a direct participant in negotiations concerning the ABM Treaty is of higher significance. (Incidentally, of all the participants in the negotiations, Paul Nitze is the only one who supports the idea of reinterpretation to this very day).

Detailed analysis of the movement of the treaty through the American Senate, sound factual material, the author's evaluations and judgments contained in the work form a common flow of unremitting criticism of the idea of the "broad interpretation." In this sense, R. Garthoff's monograph has obvious practical significance for the entire discussion of such an important problem.

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18160018m Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian* No 8, Aug 89 p 142

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18160018n Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian* No 8, Aug 89 p 143

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Chronicle of Institute Activities, Meetings

18160018o Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 8, Aug 89 pp 144-145

[Text] "The U. S. Economy after the Elections" was the topic of a scientific conference of Soviet Americanologists that was held at the Institute under the auspices of the "World Economy and Foreign Economic Relations of the USSR" Section, Central Board of the All-Union Economic Society (VEO) together with the VEO Council of the USSR Academy of Sciences IMEMO. Approximately 60 scholars and teaching staffers from IMEMO, the USSR Academy of Sciences IMEMO, the USSR Academy of Sciences ISK, the Academy of Social Sciences under the CPSU Central Committee, Moscow State University im. M. V. Lomonosov, and other research and educational institutions took part in this creative meeting.

As noted in the course of the meeting, the contemporary American economy has reached a new qualitative level in its development. It must be evaluated on the basis of the increased internal reserves and adaptive possibilities connected above all with the integrated use of stimuli and mechanisms of scientific-technical progress, with the transition of the economy to an open type of reproduction, with the features and results of the economic policy of the administration of R. Reagan. The speakers presented a detailed analysis of long-term factors reflecting changes in modern capitalism's system of production relations. A search is presently under way for the most effective methods of stimulating science-intensive branches at the level of the federal government, individual states, and local organs of power. In the examination of new phenomena in cyclical development, it was assumed that the most serious economic upheavals in the USA were in the past: the adaptation of the nation's economy to the consequences of structural crises from the mid-seventies to the early eighties was completed, thereby substantially deforming cyclical processes. And even though a recession in production is very probable in the foreseeable future, economic growth rates will be at their highest.

Particular attention was focused on the fact that in 2 centuries of socioeconomic progress in the USA, man has gradually been transformed from the means to the goal of society's development. There developed a whole complex of directions of socialization and humanization of its various spheres, that makes it possible to say that there have been deep changes of a formational order in the nation, that do not make it possible to identify the

American society of today with the capitalism described by the classics of Marxism-Leninism, and by representatives of the traditional Soviet school of political economy.

Reports were delivered at the conference by doctors of economic sciences: L. L. Lyubimov, S. Yu. Medvedok, V. T. Musatov, and A. A. Porokhovskiy, and by candidates of economic sciences: Ye. A. Biryukova, L. M. Grigoryev, E. V. Kirichenko, S. A. Kocharyan, Ye. A. Lebedeva, and I. S. Onishchenko. Participants in the discussions: doctors of economic sciences—V. I. Martsinkevich, V. A. Nazarevskiy, V. V. Rymalov, G. LO. Faktor, V. M. Shamburg, R. M. Entov; candidates of economic sciences—A. Z. Astapovich, L. M. Zonova, and Ye. V. Yarovaya; and candidates of historical sciences—Yu. F. Oleshchuk; and A. A. Shlikhter.

The conference adopted recommendations addressed to the VEO Central Board to be subsequently conveyed to executive bodies and institutions. Based on research findings presented in the course of the meeting, a number of specific measures relating to the intensification of the radical economic reform in the USSR, to imparting new content to the reform, to the development and strengthening of Soviet-American business cooperation, and to the normalization of the entire complex of international economic relations were proposed and formulated.

A 3-day Soviet-American seminar on the organization and management of multibranch production was held at the USSR Academy of Sciences IMEMO. Participating from our side were more than 250 representatives of science-production associations, enterprises, academic and branch scientific research institutes, a number of VUZ's, cooperative organizations, and youth scientific-technical creativity centers from various cities in the nation. The American "team" consisted of eight executives from the 3 M Corporation (also known as Minnesota Mining and Manufacturing). The basic purpose of the meeting was to acquaint Soviet specialists and practical workers with the large experience accumulated by this firm in the area of the organization and management of highly diversified, technically sophisticated production. The seminar was also aimed at launching concrete business contacts between 3 M and interested Soviet organizations with the right to enter the foreign market independently.

The selection of this specific company was not by chance. It is in the front ranks of U. S. industrial giants: 20th in profits (\$1.2 billion in 1988); 30th in work force size (83,000 persons); 34th in total sales volume (\$10.6 billion). 3 M is characterized by high science-intensiveness, by the high rate of modernization of its product mix (60,000 products). It has branch companies in 52 countries of the world; almost half of its total turnover is in foreign sales. The effective running of such a complex economy is based on a well-organized system of management. This was specifically the basic subject of discussion at the seminar. The Americans presented

detailed reports revealing the organizational and financial structure of the firm; the methods used to recruit, place, promote, and motivate personnel; scientific research and innovation policy; the corporate quality concept; corporate strategy and planning mechanisms; and methods for studying market conditions. The audience was deeply impressed with the high professionalism of the people delivering the reports and with the clearly expressed pragmatic orientation of the ideas advanced by them. Naturally, by no means all of them are directly applicable to the economic realities of our country. But it is unquestionably true—and this was expressed in the remarks, questions, and responses of the Soviet specialists—that the seminar enriched the ideas of our practical workers on many specific questions of organization and management with the advent of the increased independence of enterprises.

The initial experience of conducting such a meeting on a commercial basis showed the real possibility of transforming scientific contacts into practical measures that produce a direct economic effect and that lay the foundation for future cooperation. The Science-Commerce Department of the USSR Academy of Sciences IMEMO has several similar seminars planned for representatives of interested Soviet organizations in the current year.

The Institute was visited by a delegation of the All-India Organization of Peace and Solidarity [VOMS] headed by Navol K. Sharma, member of the VOMS executive committee; member of the Indian parliament. The visitors were introduced to the work of the editorial office of the journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, met with members of the editorial staff and with associates of the creative collective. Professor G. G. Diligenskiy, doctor of historical sciences; editor-in-chief of ME I MO, presented a detailed briefing on the problems and tasks addressed by the journal in connection with restructuring processes in the country and society as a whole and in the mass information sphere. In particular he described future directions of scientific research and publications of Soviet social scientists and the immediate plans of the editorial staff. The discussion focused on wide-ranging problems connected with the strengthening and expansion of business relations and all-round cooperation between representatives of the public, scientists and journalists of the two powers, and improvements in the system for keeping one another informed about the life, difficulties, and accomplishments of our people. Particularly raised in this connection was the question of the possibility and prospects for translating and publishing ME I MO materials in India.

IMEMO was visited by a delegation of the Union of Young FRG Entrepreneurs: Dr K. Zandler (president—1989); Dr P. Kurin (president—1988); and Dr R. Neumann (administrator). The meeting with Institute associates focused primary attention on the problems and prospects of establishing a single market within the framework of the EC. The visitors noted the significant intensification of the integration process of late. In their

opinion, this offered the hope that key tasks scheduled for the end of 1992 will be realized. It was emphasized that such a prospect raises in a new light questions relating to the development of economic cooperation between Eastern and Western Europe. In connection with fears that the establishment of a single market may generate dominant autarkic trends, the union's leaders recalled the words of J. Delors, chairman of the Commission of European Communities [KYeS]: "The EC will not be a fortress." What is more, the elimination of barriers within the Community will promote the more dynamic development of the region and hence there will be a greater need for commodity exchange, *inter alia* with the socialist countries.

The visitors were briefed on the directions, on the most important problems of radical economic reform in the USSR, and scientific-technical tasks that are being carried out by the Institute's creative collective under the conditions of perestroyka. Members of the West German delegation in turn expressed their opinion about the need to strengthen market levers in the production of consumer goods in our country. They were also briefed on the activity of their organization which now has a membership of about 8300 independent entrepreneurs and managers under the age of 40. The principal task of the union is seen to be to disseminate information, to conduct business workshops, and to help to overcome the "restricted nature of economic thought" among young entrepreneurs at the level of enterprises, branches, cities, and regions.

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Articles in MEMO Not Translated

00000000 Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian* No 8, Aug 89 pp 1-2

[Text] Summary of Major Articles in Russianpp 3-4

New Phenomena in the Concentration Process (V. Nazarevskiy)pp 20-33

GATT and the Interests of the USSR (I. Artemyev and S. Stankovskiy) pp 34-44

Japan: Erosion of Groupism and Labor Motivation (V. Ramzes) pp 45-57

"The Phenomenon of Le Pen" (I. Bunin) pp 67-75

Certain Factors in the Contemporary Political Development of Israel (T. Karasova) pp 76-83

Latin America: The Search for a "Democratic Ideal" (A. Silantsev) pp 84-90

Proportions and Factors in the Industrial Development of ASEAN Countries (V. Mikhalev) pp 102-110

Directions in the Development of Foreign Economic Relations Between the USA and the New Industrial Nations (Ye. Popova) pp 111-115

Marxism and Contemporary Economic Conservatism (A. Pevzner and V. Studentsov) pp 137-138

The Entrepreneur of Today (A. Ardishvili) . pp 139-142

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