Perils Of Perestroika

The key to the success of perestroika and the future of the Gorbachev revolution is economic reform. Can it breathe life and vigour into the sclerotic Soviet economy? Monty Johnstone interviews Abel Aganbegyan, Gorbachev's top economic adviser, on how things are going

Since before Gorbachev became general secretary of the Soviet Communist Party, Abel Aganbegyan has been his closest economic adviser. Along with economic sociologist Tatyana Zaslavskaya, he headed the Siberian think tank which perminated many of the ideas of perestroika, that were to become official Soviet policy from 1985. That year he moved to Moscow, becoming chairman of the Commission for the Study of Productive Forces and Resources and head of the economics section of the USSR Academy of Sciences, to which he was elected in 1974. His book, The Challenge: Economics of Perestroika (Hutchinson), appeared in English earlier this year. He gave this short interview to Marxism Today on a brief visit to Britain last month.

Abel Gezevich, at your London press conference a year ago you said: ‘in the next two to three years people will feel the material benefits of perestroika’. The 19th Soviet Communist Party conference this summer, as well as the complaints made to Mikhail Gorbachev on his visit to Krasnoyarsk in September, seem to make it clear that in many parts of the Soviet Union people haven’t yet begun to do so. Are things in that sphere going slower than you expected last year?

Yes, things are moving slower than we had expected. There are three reasons. First, the hole we were in actually turned out to be much deeper than we had anticipated. Secondly, the force of inertia proved much stronger. So to correct the situation turned out to be far more difficult. Therefore we should have taken far more radical decisions. This applies particularly to agriculture because the supply of food is one of our greatest problems. We have drawn certain conclusions from the situation and are preparing an important central committee meeting devoted to agriculture. This will change the economic conditions of agriculture and make certain radical changes. We hope that these will speed up the solution to the food problem.

The third reason is that we have made a number of mistakes in the last two years which have actually made the situation more difficult. Our raising of prices on spirits and wine was not very successful. The budgetary income decreased quite considerably. At the same time home distilling developed enormously which means there is now a shortage of sugar. Also I think that we unreasonably decreased the number of imported consumer goods. However, we are now correcting these mistakes. So I think maybe we should allow three or four years before there will be any noticeable results and we can actually feel the changes. That doesn’t mean that everything is just the same as ever and there have been no positive changes. We’ve moved quite considerably in tackling the housing problem. The mortality rate has been going down. Life expectancy has increased whereas before it was actually getting worse. There is education reform in progress. The consumption of food and sales of various industrial goods have also increased, though income has grown even faster, so there is a shortage of goods, which is our main difficulty.

And given the fact that it will be, in your own estimate, three or four years before people really do begin to feel these material benefits, will confidence in the leadership of Gorbachev and the perspective of perestroika be retained and extended over this longer period? Are there not political dangers which flow from this?

Well, there is always some danger, obviously, but I think if we take up seriously, as we have done, the solution of social problems, then everyone will realise that things will get better. Three or four years is the period in which more families will actually feel in their own lives that things are improving. The policy does have credibility because after all perestroika is not just about economic change. A great deal has been achieved in glasnost and the moral climate with democratisation and human freedom.

At the 19th party conference, Mikhail Gorbachev spoke of the need for price reform that would end subsidies to consumers, notably on meat and milk. He said that the population would be fully compensated so that there would be no drop in people’s standard of living. At a briefing at that conference I asked central committee secretary Aleksandr Yakovlev by what mechanism this compensation would take place? He said that this was a very difficult problem that the economists were working on. So perhaps I might ask you as a leading economist, what mechanism you would envisage for paying this compensation? Presumably, as far as lower-paid workers are concerned, not through their enterprises as this would contradict the principles of khozraschot now being implemented?

We are indeed working on this and we examined the question in the following way. The means for paying compensation would come from the higher prices themselves. When we raise prices there will be extra money generated. So the part of the budget that is actually subsidy at the moment will become compensation, a kind of welfare payment. The idea is that there is a special fund and appropriate compensation will be given. But these are not terribly urgent problems. In my opinion, this particular reform should be postponed, because the gap between effective demand and supply has grown. First we must make the economy financially sound. Only then can we reform retail prices, otherwise there could be inflationary tendencies. Moreover it would not be well received by the people so long as the shops remain poorly stocked. So if it were up to me I would wait two or three years.

Is the institution of khozraschot under the economic reform compatible with the continuation of the old price system as it exists?

No. The reform will change wholesale prices. Khozraschot depends mostly on wholesale prices, not on retail prices. We can actually change wholesale prices without changing retail prices - retail prices are very much cushioned from wholesale prices.

You mean in the short term presumably?

Yes, in the short term - for two or three years. Oh yes, and I forgot to mention that these reforms must be carried
through democratically. Proposals should be published for discussion, and decisions taken only as a result of that discussion.

How much longer will the Soviet Union continue to retain stores for special categories of people? I have noticed criticism of this in the Soviet press on and off since February 1986. At the 19th party conference such privileges were also attacked. It seems to many of us both to contradict social justice and to be incompatible with the economic reform to have such closed forms of distribution. Would you like to comment?

Right after the 19th party conference, we closed down the system of special stores for food as from September 1.

Completely?

Completely, yes. And there are many other perks that have been done away with as well. All sorts of country houses and dachas have been given over to the ministry of health and converted into children's homes and that sort of thing. The fleet of personal cars has been cut down by 40%.

But there still seems to be concern about this matter. For instance, I've got here an article from Sovetskaya Kultura (Moscow) of October 13 which refers to such facilities as still existing. It speaks of a 'closed system of perks and privileges'. (Hands cutting to Academician Aganbegyan, who reads it carefully)

I think the man who wrote this article doesn't know what is going on. What I'm telling you is a fact. As a member of the praesidium of the Academy of Sciences I also enjoyed those perks. And many of my acquaintances lost the same privileges, so I know what I'm talking about! We've lost all these and received no compensation. All those who had these privileges have experienced a net drop in their standard of living of about 20%.

What reactions have this produced from the people affected?

I haven't questioned them! So I have no particular scientific data. I think they have probably accepted it as necessary, because it really was an intolerable state of affairs. And the author of that article in Sovetskaya Kultura is absolutely right when he says that it is labour and money earned by labour which should be the only measure of the benefits a person receives.

Can I now ask about the law on state enterprises passed last year? How far has its implementation been successful, how far is it now in need of revision, and what kind of revisions are likely to be made to it? I understand some changes are now being suggested.

On January 1, 1988, 60% of the enterprises changed over to a self-financing system, but the conditions are a bit complicated. At the moment they have still got the old prices and a centralised system of supply, so there is quite a tortuous three-year period starting. But certain mistakes have already been made in the implementation of the new law. Above all, an excessive weight was given to the state orders. We have corrected that and from 1989 these orders will take up something like 40% of industry.

Another problem is that ministries have laid down norms for each individual enterprise, although the law was more concerned with overall norms. The mistake will be corrected when we start our 13th five-year plan which we must enter with a new economic mechanism with a unified system of norms. We are not actually intending to correct the law at the moment. A few years must go by and we must get more practice. Maybe in five years' time we will return to some of its clauses. On the whole the law is good and we should make sure it is implemented.

What percentage of enterprises have now elected their own directors in accordance with the provisions of the law on state enterprises?

Basically all the enterprises have been changed to the new system. The time limits within which the new directors have to be elected haven't been laid down from above and are being decided by the workers' collectives themselves. For instance, if you haven't been a director for very long and it's fine with everyone, perhaps you won't come up for re-election for another year. Realistically speaking, probably, about a quarter have already had their elections.

And what proportion of those have been contested elections as opposed to only one candidate standing?

Most of them have had contests and voted by secret ballot.

Can I now raise some international questions? Why does economic integration between socialist countries in the Council for Mutual Economic Assistance (Com- econ) appear to be more difficult than economic integration between capitalist countries in the European Community? The problems are connected with the fact that their currencies are not convertible, so that it is difficult to have multilateral relations. Past de- formations of the economy in every socialist country, particularly the USSR, militate against that. But perestroika is creating new conditions. And we are intending to transform ourselves into a common market. We have now created much better conditions for common organisations in socialist countries and for direct contacts between them. We have worked out a programme for proceeding along this particular road. In the near future we want to introduce a convertible rouble within the socialist market.

When specifically would you say this is likely to take place?

I hope that it will be during the next five-year plan. We have started nego-
October Revolution we shall achieve a higher labour productivity. As for living standards, we can’t really make direct comparisons because our way of life is very different. We have certain social achievements, the absence of unemployment and social security, but at the same time we have fallen far behind in living standards. In housing we have fallen behind. Perhaps not so much in consumption of food because we are now in 13th place. We are well placed in our consumption of footwear and clothing, but the quality is often unsatisfactory. But we have fallen far behind in consumer durables, particularly cars. At the beginning of the 60s we were among the 15 most developed countries in the area of health - we had the lowest mortality rate. Our average life expectancy was the same as Japan’s - 70 years. But this deteriorated in the years of stagnation, and we now have to catch up. We have adopted a major programme. We are going to pull up on matters where we have fallen behind, for example food consumption where we’ll do it in around 10-15 years. As for cars, I’m not sure whether we really need to catch up. Of course every family must have a car, but do they really need three? Every nation lives the life it wants to live. I couldn’t live the way the Japanese live. All my acquaintances there spend at least an hour and a half to get to work. I spent 10 days in Japan in those terrible traffic jams. I’d give half my salary to live the way we do one block away from work, going on foot, and not breathing that air. It’s a question of choice - where to live and what to breathe.

One last quick question, if I may, before our time finally runs out. Could you please comment on discussions about setting up a stock exchange in the Soviet Union?

We are preparing a law about shares and we have actually started to issue shares in various enterprises, but they are limited shares. And the shares go only to the workers of that particular enterprise. So there is no need for a stock exchange where anyone can buy shares. As our prime minister has said, we are not actually planning to open a stock exchange. The shares should not become a way of getting unearned income, socialism is socialism because it excludes exploitation. Everyone receives according to his work. No one lives off other people’s labour. So we have to be very careful about this whole question of shares.

1 The principle of profit-and-loss accounting, crucial to the Soviet economic reform, which seeks to make enterprises financially autonomous and responsible for paying their own way without being helped out by the state.

2 These are obligatory orders placed by ministries with enterprises. There have been strong protests that these have been absorbing such a high proportion of the production of many factories as effectively to negate their autonomy provided for by the law on state enterprises.

3 The 27th party congress envisaged that labour productivity would go up by 2.3-2.5 times and that the national income would increase nearly twofold by the end of the century.