PRIME MINISTER

cc Mr Butler
Mr Coles
Sir A. Parsons

Foreign Affairs Meetings

Attached are papers by the Foreign Office for the meetings on 8 and 9 September at Chequers. They comprise ~~of~~ papers on:-

A) Foreign Policy: Britain's global interests and priorities.

B) East/West relations.

C) Arms control.

D) Western defence strategy.

E) Nuclear and conventional force arms control.

F) Multilateral arms control and disarmament.

G) The Middle East.

H) The European Community.

We should have the papers by academics in time for your visit to Balmoral and you may want to read these papers at the same time. If there is any time this weekend, however, you might like to glance at them in advance.

24 August 1983

Foreign and Commonwealth Office

London SW1A 2AH

23 August 1983

Dear Tim,

Foreign Affairs and Defence Strategy

Thank you for your letter of 28 July.

I enclose four sets of the up-dated versions of the discussion papers on foreign affairs and defence which have been prepared for the Prime Minister's strategy meetings on 8 and 9 September. Only minor revisions have been necessary, although I would draw your attention to the additional covering paper which has been prepared for the arms control discussion entitled 'The Strategic Agenda'. The paper on the European Community is included with these papers although as you know the discussion will not now take place until 15 September.

Sir Geoffrey Howe intends to give further consideration to the papers on his return to the office and may then wish to minute to the Prime Minister about them. He may also wish to put forward suggestions about the form the discussion at Chequers might take.

I am sending a copy of this letter and its enclosures to Richard Mottram (Ministry of Defence) and to Richard Hatfield (Cabinet Office). I am arranging for copies of papers to be sent to other official participants in the strategy meetings as appropriate.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

T Flesher Esq
10 Downing Street

10 DOWNING STREET

From the Private Secretary 6 July 1983

Foreign Affairs and Defence: Strategy

Thank you for your letter of today's date.

I think it will be possible to meet the Foreign Secretary's wish that those invited for the discussion of East/West relations should include those (or at least most of them) concerned with arms control and disarmament. I shall see whether we can make the arrangements on the second day sufficiently flexible for the arms control session to be shortened if necessary.

As regards the various papers which are under preparation, I am content, as I indicated on the telephone, that these should reach me on 25 rather than 21 July. But I am afraid that this must be regarded as an absolute deadline. I shall want to show the papers (which need not be in final form) to the Prime Minister at that stage so that she can indicate whether they are the kind of papers which she would want to form the basis of her series of meetings. This will allow time for redrafting and up-dating as necessary.

I am copying this letter to Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

A. J. COLES

B.J.P. Fall, Esq.,
Foreign and Commonwealth Office.

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Type please in final form.

Fall

INTERNATIONAL AFFAIRS: STRATEGY MEETINGS

[pl. supply date]

My letter of 27 June outlined the agenda for the meetings which the Prime Minister will be holding at Chequers on 8 and 9 September and suggested what discussion papers would be needed.

The purpose of this letter is to let you have some purely personal views on the nature and contents of the discussion papers. I have not consulted the Prime Minister but there are certain points and ideas which I ~~am sure~~ rather think she will expect to be covered.

By far the most important session in the Prime Minister's eyes will be that on East/West relations to which we are now devoting virtually the whole of 8 September. Mrs. Thatcher will expect the discussion paper or papers to address fundamental questions. The description of Britain's aims with regard to the Soviet Union and Eastern Europe will be important in that connection. I do not think the Prime Minister would regard "firmness and dialogue" as an aim but rather a means. ~~In the long term~~ She would be more inclined ~~to see~~ to see our objective in the long term as the replacement of Communist by democratic regimes. ~~as our objective~~. She would expect to see some analysis of our capacity, in conjunction with our allies, to achieve that ~~aim.~~ objective. If the analysis shows that the achievement of such an aim lies at best a very long way in the future, the question will arise of how we can work towards it and what, meanwhile, our subsidiary aims should be. The Prime Minister has expressed

/ to

to me some interest in devising a policy of weakening the links between the Soviet Union and Eastern Europe - perhaps that could be considered in one or other of your papers.

Mrs. Thatcher is also very interested in the possibilities of using modern technology to communicate directly with the peoples of Soviet Union and Eastern Europe. A detailed analysis of possible methods and likely consequences would be helpful. When we come to consider participation in the meetings we shall need to consider how communications expertise can be injected.

If you decide to recommend that there should be a more intensive and higher-level political dialogue with the Soviet Union, it will be desirable to demonstrate how that will further our fundamental aims.

We have, as you know, abandoned the earlier thought of sessions devoted exclusively to British and NATO military strategy and new developments in military technology. It will nevertheless be important that the discussion papers ~~should~~ includes material on these matters in so far as they are relevant to East/West relations. A separate paper on the defence aspects of these relations will probably be desirable.

It may also be helpful to you to have the enclosed note which I prepared for the Prime Minister earlier this year and which summarises points which she found of interest in a number of articles on East/West relations which she had read.

Finally, on this subject, may I reiterate a point from my earlier letter. The Prime Minister will be concerned to avoid too much philosophical discussion in these meetings and wishes to arrive at a series of conclusions for practical action. I therefore hope that the various papers will end with practical recommendations. You should know that the Prime Minister's present intention is to use her proposed visit to the United States in the autumn primarily to discuss East/West relations with the U.S. Administration. The Chequers discussions will be directly relevant to this.

I have less to say about the other items on the agenda.

(a) Arms Control and Disarmament

The paper on this subject should perhaps include consideration of whether there can be any independent role for Britain in promoting arms control agreements and whether there would be any merit in high level discussion of this matter between us and the Soviet leadership.

(b) Middle East

I suspect that the main issue on the Prime Minister's mind in September will be whether, given the onset of the US election campaign, there is anything Britain and Europe can do to prevent the prospects for a peaceful settlement of the Arab/Israel dispute worsening during the lengthy period when the US administration may be unable to engage itself productively in negotiations.

/ (c)

(c) European Community

The long-term Community financing issue is likely to dominate the discussion but I hope that we shall also be able to look at the outlines of a plan for practical British action in the Community over the next five years. This might result in a decision that there should be further work by Whitehall departments on the details of such a plan for submission to Ministers at a later stage.

I am copying this letter to Richard Mottram and Richard Hatfield.

Blind copy to Sir A. Parsons.

The Soviet Union: Background papers for the meeting on 8 September 1983

SYSTEM

Paper I by Mr. A.H. Brown, Fellow of St. Antony's College and Lecturer in Soviet Institutions, University of Oxford

Paper II by Professor A. Nove, formerly Director, Institute of Soviet and East European Studies, University of Glasgow

SOCIETY

Paper III by Dr. A. Pravda, Lecturer in Politics, University of Reading

Paper IV by The Reverend Michael Bourdeaux, International Director, Keston College, Kent

ECONOMY

Paper V by Mr. M.C. Kaser, Professorial Fellow of St. Antony's College and Reader in Economics, University of Oxford

Paper VI by Dr. R. Amann, Director, Centre for Russian and East European Studies, University of Birmingham

POWER

Paper VII by Mr. C. Donnelly, Director, Soviet Studies Research Centre, Royal Military Academy, Sandhurst

Paper VIII by Mr. G. Schöpflin, Lecturer in East European Political Institutions, London School of Economics and School of Slavonic and East European Studies, University of London

THE SOVIET UNION

I The Political System, Policy-Making and Leadership (Mr. Brown)
1 The power structure
2 The CPSU
3 The policy-making process
4 Leadership trends and policy dilemmas

II The 'Reformability' of the ~~Soviet~~ Economic System (Professor Nove)
1 Reform through Soviet eyes
2 Options and obstacles
3 Probabilities

III Social Problems: the Nationalities, Dissent and Labour (Dr. Pravda)
1 Ethnic and nationality problems
2 Dissent and alienation
3 Labour
4 Ideology
5 The anti-corruption drive

IV Religion (The Revd. Michael Bourdeaux)
1 Policy
2 The place of religion
3 The influence of Pope John Paul II
4 Religious revival in the USSR

V Economic Constraints (Mr. Kaser)
1 The persistence of Stalinist irrationality
2 Population distribution: fertility and age
3 Excessive investment
4 Supply/demand imbalance
5 Slow growth and the arms increment
6 Trade dependence

VI Technological Inertia and its Consequences (Dr. Amann)
1 The nature of the problem
2 Causes and broad implications
3 The acquisition of Western technology
4 Other solutions and the role of Western policy
Appendix: Some alternative paths to institutional reform in Eastern Europe

VII The Impact of Military Considerations on Policy (Mr. Donnelly)
1 Soviet Military Doctrine
2 Defence expenditure
3 The Warsaw Pact

VIII The Soviet Union and Eastern Europe (Mr. Schöpflin)
1 Benefits and costs
2 Specific difficulties
3 The Soviet relationship

Change essential!

I: THE POLITICAL SYSTEM, POLICY-MAKING, LEADERSHIP

1. The power structure

(a) Politburo and General Secretaryship

Though every General Secretary of the Central Committee of the Communist Party of the Soviet Union has been able to strengthen his position vis-à-vis his colleagues over time, only Stalin became more powerful individually than the rest of the Politburo put together (though Khrushchev at times acted as if he were). Certainly Andropov, though he is unquestionably the most powerful man in the Soviet leadership and though he has strengthened his power and authority more quickly than Brezhnev did, is less powerful individually than the Politburo is collectively.

In terms of the time and frequency of its meetings, the Politburo has in the post-Stalin years established a routine which bears some resemblance to the British Cabinet. It meets on average once a week (though sometimes twice) and the normal day for these sessions is Thursday. The meetings are attended by the full members of the Politburo (numbering 11 at the moment), candidate members (8 at present) and Secretaries of the Central Committee - 9 of them, but only three should be added to the total here for 6 are already counted, being also either full or candidate members of the Politburo. Thus, 22 people (all men) are currently entitled to attend Politburo meetings. Other people, such as ministers with responsibility for a particular sector of the economy being discussed in the Politburo, can be invited to join in the Politburo discussion for particular items on the agenda. Only the 11 full members can vote, but votes are the exception rather than the rule. On occasion (as in the selection of a new General Secretary) these can be very important, but for the most part the advantage of full membership is rather the extra weight it accords the individual in Politburo discussions as well as within the Soviet system more generally.

(b) The Secretariat of the Central Committee and departments of the Central Committee

Whereas the Politburo is the highest policy-making body within the party, the Secretariat is charged with seeing that policy is implemented

and with responsibility for the placement of party cadres. It meets weekly as a body, but the main duties of the Secretaries of the Central Committee are carried out in between these meetings. The General Secretary has responsibilities which extend to all spheres of activity as the de facto head of executive within the USSR, but in practice pays particular attention to foreign and defence policy, the economy (including agriculture) and ideology. Other Secretaries have more specific responsibilities, which may be broader or narrower, depending upon their standing within the leadership. A Secretary generally acts as an 'overlord' to several of the departments (more than twenty of them) into which the Central Committee apparatus is divided. Sometimes, a Secretary of the Central Committee may be a head of a department - as in the case of Ponomarev who heads the important International Department - but, more usually, several departments, each headed by a different person, will be responsible to one Secretary.

Some of the Central Committee departments are concerned with inner-party matters - notably the Department for Party Organisational Work which keeps an eye on republican and regional party organs, has responsibilities for the appointment of lower level officials and the maintenance of party records, and the General Department which acts as a secretariat for the Politburo and whose head works especially closely with the General Secretary. Most Central Committee departments, however, act as overseers of ministries and state committees, of which there are approximately four times as many as there are Central Committee departments, so that one department acts as political overlord of several ministries. Thus, for instance, the Department for Science and Education is responsible for such institutions as the Ministry of Education, the Ministry of Higher and Specialised Education, the Ministry of Health, the State Committee for Science and Technology and the Academy of Sciences.

(c) The Council of Ministers and the ministerial network

The Council of Ministers - which has roughly a hundred members made up of the Chairman and his deputies, ministers, chairmen of state committees and the chairmen of the union-republican Councils of Ministers - meets infrequently as a body. Its executive organ is the Presidium of the Council of Ministers, which normally has some 15 members, consisting of the Chairman of the Council (at present the 78-year-old Tikhonov) and the deputy chairmen. The Presidium meets in most weeks

and is sometimes described by Western observers as an 'Economic Bureau', as distinct from the 'Political Bureau' (the Politburo). That is an oversimplification not only because it ignores the role of the Defence Council discussed in Part Three of this document but also because the highest policy-making body on economic, as well as other, issues is the Politburo. Yet it appears to be true that much economic co-ordination and many inter-ministerial disputes are settled at Presidium of Council of Ministers level. The Presidium acts as a court of appeal for a minister dissatisfied by a decision of the State Planning Committee (Gosplan), even if the ultimate court of appeal remains the Politburo.

A majority of Soviet Ministers are specialists rather than generalists. They have normally spent most of their career in the field in which their ministerial responsibilities lie. Most of them have rather more in common with a permanent secretary of a ministry in Britain than with a British Cabinet minister. There are, however, exceptions. Since 1973 the Minister of Foreign Affairs and the Minister of Defence have been full members of the Politburo. The Chairman of the Council of Ministers is always a Politburo member, and at present two of the three First Deputy Chairmen are Politburo members (Gromyko - who was recently given that title, in addition to being Minister of Foreign Affairs, a post he has held since 1957 - and Aliyev, one of the two Politburo members of Turkic ethnic origin who was promoted to this post soon after Andropov succeeded Brezhnev). Thus, four out of the eleven voting members of the Politburo are from the ministerial network rather than the party apparatus. This need not make them spokesmen for ministerial interests. Two of the four, Ustinov and Aliyev, have extensive experience also of party work, and Aliyev spent even more years in the KGB.

(d) The Supreme Soviet and its Presidium

The Supreme Soviet, as the 'parliament' of the USSR, is brought into the political process when policy requires legislation. It meets, however, only twice a year and for about a week each time and so passes much legislation on the nod. The real work of preparation of legislation is supervised by the inner body, the Presidium of the Supreme Soviet, and by standing commissions which, in turn, have sub-committees working for them where serious discussion takes place

and specialists can exert some influence. But even the standing commissions are headed by senior party officials (in several important cases by the Secretary of the Central Committee responsible for that particular area of policy) and so there is no sense in which the legislature can be seen as a check on the party leadership. There is some differentiation of functions but complete fusion of powers. (In the past twenty years there has been a modest development towards the Presidium of the Supreme Soviet and the standing commissions performing a watchdog function in relation to the ministerial, as distinct from party, bureaucracy, but even then the initiative probably comes from within the Central Committee of the party).

Brezhnev was the first party leader to become Chairman of the Presidium of the Supreme Soviet, the formal head of state. It took him thirteen years to achieve that position. Though the precedent of Brezhnev having combined both of these posts made it easier for Andropov to follow suit, the fact that it took the latter only eight months to become head of state as well as party General Secretary is but one of a number of respects in which Andropov has strengthened his authority more quickly than Brezhnev did.

2. The Communist Party of the Soviet Union

The Communist Party has over 18 million members - about 6 per cent of the total Soviet population, approximately 1 in 10 of the working population. The proportion is not allowed to grow significantly higher than this, for otherwise the party would be in danger of losing its 'vanguard' role in Soviet society as well as its internal coherence and discipline. Though the party is sufficiently disciplined to be able to present a monolithic façade to the outside world, in fact it is joined by very different personality types and by people of diverse political views (not to mention those who are scarcely interested in politics at all). Both Soviet leaders and some of their fiercest foreign opponents like to stress the fundamental continuity between the party of revolutionaries organised by Lenin and the party of today. The continuity is not so great as it appears on the surface. It is one thing to join a revolutionary party within an authoritarian state of the tsarist type when the risk of doing so is considerable and the prospect of changing that society fundamentally is the goal. It is

quite another to join a Communist party which holds a monopoly of power within a long-established authoritarian political system of the Soviet type when the prospect offered is enjoyment of the fruits of the status quo, better career openings and, in all probability, better educational and job opportunities for one's children.

The average party member, of course, wields very little political power. That is largely possessed by the full-time party officials - some two hundred thousand of them, taking into account all levels of the hierarchy. The party, however, recruits a disproportionately large number of well-educated specialists into its ranks and this 'party intelligentsia' has grown both numerically and in importance in the post-Stalin era. Countless proposals for changes within particular areas of policy emanate from these professional people in specialist journals, small-circulation books and, to a lesser extent, in the press. Though the threat of loss of a professional job which would go hand-in-hand with expulsion from the party is enough to prevent any overt criticism of the party leadership, there are party intellectuals who are adept at putting forward reform proposals while abiding by the 'rules of the game'. That the party intelligentsia can play a decisive part in introducing not only piecemeal reform but also more fundamental change was demonstrated by the case of Czechoslovakia in the years, 1963-68. The Soviet Union is a very different country with different historical traditions and it would be rash indeed to predict an early 'Moscow Spring'. But in principle it is clear that a movement for democratising change can come from within a ruling Communist Party as well as through societal pressure. It would be carrying an historical and cultural determinism too far to say that this could never happen in the Soviet Union.

3. The policy-making process

There are some subjects on which the scope for 'within-system' argument may be very limited. The party leadership are agreed in giving the highest priority to the military sector, for it is on its military strength rather than on political and economic appeal that the Soviet Union's superpower status rests. They are also in agreement about dealing repressively with religion, for they feel threatened by an alternative world-view with organisational structures to support it.

However, in many areas of policy - economic, agricultural, demographic and social, for example, and even (though more esoterically) foreign policy and ideology - there is actual debate in Soviet publications. Some of this writing - and, still more, the participation of specialists from outside as well as inside the apparat in working groups and advisory committees - has an impact on Soviet policy. As Brezhnev noted towards the end of his life, contemporary economics, politics and social life are so complicated that they call for 'mighty collective wisdom' and make it necessary to 'listen to specialists and scholars, and not only of one tendency or one school'. In areas where policy changes pose no threat to fundamental features of the system, specialists from outside the ranks of the party and ministerial bureaucracies can exert great influence - as they did, for instance, in the family law legislation of the late 1960s.

But sometimes objective reality - 'life itself' in Khrushchev's favourite phrase or 'life demands' (Andropov) - forces the leaders to listen to specialist advice when things are going wrong in areas of more central concern to the leadership. Thus, many different ideas for the restructuring of the economy are now being put forward with a greater chance than hitherto of being considered seriously as a result of the major slowdown in Soviet economic growth. Additional stimulus to this has been provided by the death of Brezhnev and succession of Andropov, for leadership change is conducive to policy innovation. This is partly because of the further personnel changes which a change at the top brings about and partly because the new General Secretary can provide a more thoroughgoing critique of existing deficiencies which, by implication, are the responsibility of his predecessor.

There are, however, powerful institutional interests opposed to change. The fact that the Soviet system is not as monolithic as it is often made out to be both by its spokesmen and its critics does not necessarily promote beneficial change. The problem of departmentalism is one which Soviet leaders frequently inveigh against. Ministries are often more concerned with protecting their vested interests than with the welfare of society as a whole. A number of partial reforms have foundered on the rock of bureaucratic inertia. Important economic change (such as giving greater autonomy to industrial associations and

taking powers away from ministries or giving more autonomy and incentives to groups of farmers) will only be implemented if pressed by a strong and determined party leadership. Thus, we have the paradox that some of the more reform-minded as well as some of the more authoritarian Soviet Communist Party members are united in wanting Andropov to be a powerful and assertive leader.

4. Leadership trends and policy dilemmas

All Soviet leaders seek to preserve those features of the political system (including the 'leading role' of the party, 'democratic centralism' within the party, censorship, and KGB surveillance) which they regard as safeguards of the stability of the Soviet state and bulwarks against political pluralism (for political pluralism they see as but a short step to disintegration and anarchy, a view which has much more plausibility in the case of the vast and multi-national Soviet state than it had in 1968 in Czechoslovakia). They differ, however, on how they can effect 'within-system' reform which will be appropriate to a qualitatively new stage in the development of the Soviet economy and on how they can combat political apathy and raise political consciousness without stimulating dissent.

Andropov is trying to resolve the dilemma with a mixture of discipline and reform. So far, the tighter discipline has been more in evidence than the reform, but there are signs that Andropov realises that the visible hand of the police needs to be supplemented by the invisible hand of a reformed economic mechanism (offering its own financial sanctions as well as incentives) if the transition from the 'extensive' to 'intensive' stage of economic development is to be successfully accomplished. Any move towards a more self-regulating economic mechanism has serious implications for the powers of regional and local party officials as well as for the ministerial bureaucracies, and it is by no means certain that any Soviet leader - committed to the preservation of the dominant position of the party and in political danger if (like Khrushchev) he alienates the party apparatus - can square this apparent circle.

One of the immediate problems Andropov has faced is that, like any incoming Soviet General Secretary, he inherited a top leadership team which he could not instantly change. Promotions to, and demotions

from, the Politburo are by a process of collective co-option, in which the wishes of the General Secretary count for more than those of any one of his Politburo colleagues but which are, nevertheless, subject to their veto. The high average age of the Politburo presents both problems and opportunities for Andropov. It is a problem in that these aged leaders, set in their ways and anxious to hang on to their positions and privileges, are highly unlikely to provide the dynamism he is looking for. It is an opportunity inasmuch as inheriting a Politburo with an average age fully ten years higher than that which Brezhnev inherited is likely to present him with vacancies to fill.

In the present Politburo Andropov's strongest and most senior supporters are Ustinov (Minister of Defence) and Gromyko (who became a Politburo member on the same day as Andropov in 1973). These three worked together on foreign policy and security issues for some years before Andropov succeeded Brezhnev and established harmonious relations. Neither Ustinov (who will be 75 in October) nor Gromyko (also 74) should, however, be seen as possible successors to Andropov. Yet Andropov's age (69) and uncertain health are such that the succession question remains an issue. Chernenko (72 later this month) and Grishin (69 this month) have probably missed their chance.

The two best-placed contenders are now Gorbachev (52) and Romanov (60). Romanov, when he was Leningrad First Secretary, established a reputation as an efficient economic administrator, as a hard-liner in cultural matters, and for an extravagant life-style. Gorbachev, though the youngest member of the Politburo (which may tell against him with colleagues fearful of his introducing too rapid a generational change) has more experience in the Central Committee Secretariat than Romanov. He is the best-educated member of the Politburo and probably the most open-minded. He might well be the most hopeful choice from the point of view both of Soviet citizens and the outside world, though no General Secretary will have a free hand and what is at issue is the style and nature of Soviet authoritarianism (either more benign and ameliorative or more Stalinist) rather than a transition to political pluralism. That is not in prospect for the foreseeable future. But the differences between living in the Soviet Union today and in Stalin's time are far from insignificant and it would be a mistake to rule out the possibility, or to underestimate the importance, of further evolutionary change.

II: THE 'REFORMABILITY' OF THE ECONOMIC SYSTEM

1. Reform through Soviet eyes

Sketched out below is the text (imaginary, but plausibly realistic) of a position paper prepared by Soviet economists for a sub-committee of the Politburo chaired by Yuri Andropov.

Comrades will be well aware of the many difficulties in which we find ourselves. Growth has slowed to 1½-2 per cent per annum, i.e. to a per capita growth of just about zero (our statistics say 3 per cent, but they are inflated). Bottlenecks in transport, shortages of metal, increasing difficulties in food supply, a dangerously wide gap between people's incomes and the goods and services available, an accelerated growth in money supply (especially in the form of bank credit), the slow diffusion of new technology, intolerable delays in completing investment projects, equally intolerable growth of indiscipline, corruption, alcoholism, these matters cannot but cause us the gravest concern. The more so as we are being pushed against our will into an accelerated arms race.

Of course we are not in a state of collapse, as some of the US President's advisers seem to imagine, but one of the major objectives of our economic strategy is, and has long been, to catch up and overtake the West. Yet here we are in a condition bordering on stagnation, and the technology gap is actually growing wider.

What are the causes of this slowdown? Let us briefly list some of them.

(a) Demography: the working population is not increasing (except in Central Asia, but they are immobile). Growth now depends on higher labour productivity.

(b) Agriculture's demands: This sector has become a ball-and-chain, a burden. Far from providing labour and resources for the rest of the economy, it absorbs about

a third of total investments (which give a very low return) and we have annually to mobilize 15 million workers, students, soldiers, to help bring in the harvest. (Despite which we have food shortages). Farm subsidies have reached astronomical levels.

(c) Armaments: Our effort to achieve parity has meant diverting into weapons production the best technology, managerial talent, productive capacity.

(d) Siberia: In the long run this rich storehouse of energy and minerals will be of immense value, but in the short run the investment costs are huge.

(e) Foreign aid: Poland, Cuba, other Comecon countries and foreign commitments are a further burden.

Therefore growth could only be maintained if we increased efficiency. But this has not happened. The late comrade Brezhnev ten years ago said that we must radically change our methods of planning and management 'in the age of technological revolution'. Yet the system itself generates inefficiency and waste, and the chronic shortages generate corruption and weaken discipline and labour incentives.

What are the 'systemic' causes of inefficiency? The key is surely to be found in Academician Fedorenko's quip, that a fully balanced and articulated plan for next year would, with the help of computers, be ready in 30,000 years. The centre - the Party Central Committee, the government, the State Planning Committee, the economic ministries - cannot plan the whole economy. The multiple millions of interdependent plan decisions are necessarily divided between different offices. It is neither lack of skill nor lack of commitment which is to blame if plans are not ready in time, or are unbalanced and contradictory. Repeatedly, production plans are out of line with supply plans, and/or in conflict with plans for labour productivity, costs, profits, contractual obligations to customers, investment finance, railway capacity and so on almost ad infinitum.

Lack of knowledge of 'micro' requirements, and sheer lack of time and information, compels the issuance of plan targets in aggregate terms: roubles, tons, pairs, etc., etc., with the familiar result that management produce for plan-fulfilment statistics and not for the customer. Quantity takes precedence over quality. As the economic editor of Pravda correctly put it, 'use values do not count'. Shortages weaken the customer's position still further ('take it or leave it'). Economy of materials is actually penalized, if it leads to non-fulfilment of plans in tons. Technological innovation is frustrated by strict central control over investment expenditure and over allocation of materials and equipment, as well as by management's risk-aversion. We suffer from creeping price inflation, as management tries to increase the value of output by shifting towards dearer product variants. Particularly is this true in the case of machinery. Escalating costs in agriculture and industry have led to a big increase in subsidies and unplanned credits. Our so-called budget surplus is actually a deficit, as comrade Belkin has pointed out.

The 'reforms' introduced in 1979-81 cannot be an effective remedy, if only because they still further overburden the already overburdened centre. It must now not only compute 'normed value added' for millions of products, but also impose norms of material utilization and economy of materials (and cost reduction targets too) on hundreds of thousands of production units. Far from being relaxed, administrative material allocation has been reinforced, managerial powers further restricted. Though new prices have been introduced in January 1982, they still quite fail to reflect supply and demand, relative scarcity, use-value, and thus prices and profitabilities are no guide to action (or a misleading one) at any level.

A drive against corruption and indiscipline is clearly desirable, but by itself it cannot be enough. Comrades, the necessity for fundamental reforms must be faced, and therefore ...

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2. Options and obstacles

Therefore what? Gertrude Schroeder, in a recent paper to the US Congress Joint Economic Committee correctly states that 'planning is more centralised, rigid and detailed than ever', yet precisely this is at the heart of the malaise, precisely this inhibits efficiency and enterprise. Can the leadership be brought to recognise the futility of detailed centralized current planning - outside of some key sectors, such as energy, or armaments, where the centre does in fact possess the information as to needs, and the means to issue unambiguous orders, and where achievements are indeed impressive?

The so-called 'Hungarian' solution seems to be the only alternative to futile tinkering with the present overcentralized system. This would leave most current output, and therefore inputs too, to free negotiations. There would still be some state inferference (as here with our nationalized industries!), but some real autonomy too. Realistic prices, the profit motive, competition, consumer choice, are all part of the same reform package. A precondition must be the elimination of excess demand (concealed inflation), which plagues the economy in both the producers' goods and consumers' goods sectors. Pace Milton Friedman, one could readily imagine a socialist monetarism.

But the Western expert consensus is that if such a reform were proposed it would be rejected, or be so watered down as to be ineffective, and this for the following reasons:

(a) Power and vested interest: much of the party-state apparatus is engaged in planning, allocating, controlling, appointing, dismissing. Greater reliance on market forces must seem a threat to valued power and privilege.

(b) Nervous conservatism: no-one remembers any other system. Transition to a different one may seem too risky, a leap into the unknown. Priority sectors, of which armaments are an obvious example, would fear the possible effect of weakening the central allocation of resources at a time of widespread shortages, particularly with Reagan seen as speeding up the arms race.

(c) Scale: timidity is further reinforced because reform must be large-scale to be effective. Otherwise systemic contradictions must cause partial reform to collapse, as happened in and after 1965 in the USSR. (A Chinese leader used in this context the image of a bird in a cage. 'The bird should be allowed to fly, but within the cage, otherwise it will fly away'. Not surprisingly, their industrial planning reforms of 1979-81 ran into difficulties!).

(d) Lack of pressure from below: few understand the logic of this kind of reform, even among managers. (We all like competition so long as it affects others!). Workers are accustomed to overmanning, featherbedding, stable prices, job security.

(e) Ideology (or the Soviet equivalent of wanting to privatise the post office!): the very words 'market socialism' are contrary to marxist holy writ.

Even the most fervent Soviet advocates of 'Hungarian' type reform would recognise that very real difficulties must be overcome. Markets are everywhere imperfect, futures markets especially. There is no capital market in the USSR, and it is hard to see how one can be created. Endemic shortages could lead to worse problems if the system of priority-allocation were eliminated. Also the present stage of the Western economies must be seen by the Soviet leadership as a warning rather than as an advertisement for free markets as a solution to all problems.

3. Probabilities

For all these reasons, the most probable outcome is: no major change. This view is reinforced by the latest 'reform' decree (24 July 1983), a timid and limited 'experiment' in very partial managerial autonomy.

However, the possibility of more drastic action cannot be excluded, because:

(a) Andropov and his less hidebound colleagues must realise that economic inefficiency also threatens political power. Power cannot be given total priority over efficiency. If the leadership finds the malfunctioning of the system intolerable, it must look seriously at alternatives. At present its own policies and plans are being frustrated.

(b) In agriculture, because of the vital importance of feeding the people, real changes have been introduced, which may perhaps have positive effects. The huge collective and state farms are being broken up into small groups of peasants, who are to operate as a species of autonomous sub-contractors. (In China, where techniques are still mediaeval, a similar type of reform is based on the family ("the household responsibility system"), a development which a few years ago seemed impossible, politically and ideologically). Agricultural service agencies, and producers of industrial inputs for agriculture, have been ordered (in a decree announced on 22 July 1983) to produce for the customer and are to be judged by the actual increases achieved in agricultural production. Also private-plot production by peasants is being encouraged, a line which Gorbachev, the Secretary in charge of agriculture (and a possible successor to Andropov), has been promoting. Such moves to provide for the needs of the user might spread to the rest of the economy over the next few years.

(c) True, the middle grades of the party-state bureaucracy would be threatened by market-type reforms. But this does not apply to the apex of the power-pyramid: it is not there that one allocates sulphuric acid or women's blouses, or issues output targets for ball-bearings factories. Reform would in any case have to be enforced from above (it was so in Hungary). Besides, is it really true that the Communist party's political power would be threatened if 'socialist' firms or farms produced what their customers actually want?

(d) Ideology can be reinterpreted, if the leadership so wish.

To repeat, the probabilities are against major reforms. The arms race may constitute a major obstacle, because it adds to strains and shortages. More likely are repeated attempts to improve the present system. There may be a wave of purely administrative reorganizations, including some revival of regional planning authorities (this is actually happening in formerly empty areas of Siberia). But despite all this we must not exclude the possibility of a major reform decree within the next two or three years. An American scholar, Joseph Berliner, has expressed the view that it might take the form of legalizing small-scale private enterprise, rather than freeing state enterprises from central control. This seems unlikely in the USSR, though it may be happening in China.

If major reforms are frustrated, the likely consequence will be not collapse but stagnation.

III: SOCIAL PROBLEMS: THE NATIONALITIES, DISSENT AND LABOUR

Nobody knows more about the tensions besetting Soviet society than the head of the KGB. As the longest serving holder of that office Andropov is surely aware that he has inherited a relatively stable yet stagnant society. For Brezhnev preferred to ignore rather than tackle social problems so as not to disturb the tranquillity that was the hallmark of his era. To the mid-seventies the effects of poor labour morale, second economy activity, social privilege, corruption, administrative inefficiency and a weakening of central direction were cushioned by economic growth. With the subsequent decline in economic performance the costs of tranquillity have become increasingly burdensome. The critical appraisal of such costs by the new leadership marks a more realistic approach to social problems. The drives for discipline and order signal a general intention to steer society more positively and dynamically by means of an active, rather than reactive, paternalistic authoritarian party-state-police machine.

1. Ethnic and nationality problems

Of all the 'steering'tasks facing the Soviet leadership these are the most complex and intractable. The difficulties inherent in ruling a state of such size and heteregeneity (over 100 ethnic groups) are compounded by the curious quasi-federal structure of the USSR (15 union republics) as well as by the ambiguity of a nationality policy claiming to foster ethnic individuality while committed to creating a single Soviet nation through economic, cultural and political integration.

On the economic front considerable distance still separates the less developed Central Asian republics from the advanced Russian and Baltic regions. Policies designed to reduce such disparities attract criticism from 'rich' and 'poor' nationalities alike. While generally appreciative of central investments, the less developed republics often resent the dependancy these bring. Russian nationalists, on the other hand, complain of hard-earned funds sunk into backward areas only to feed burgeoning Muslim populations - expanding at roughly three times the rate of Slavs - that threaten to make Russians lose their overall majority by the end of the century. These demographic

trends also create pressing problems of labour distribution. Given the immense difficulties of transferring Central Asia's surplus labour to the manpower-deficit areas of the Russian republic, Moscow will probably have to create more jobs on the spot which means a further diversion of resources and more vociferous Russian nationalist complaint.

What may help appease Russian nationalism is the current drive to promote the Russian language throughout the USSR. Such drives need careful handling since they are liable to spark nationalist protests - as happened in the seventies. Nor does success in promoting Russian - more marked among Slav than non-Slav groups - necessarily further assimilation. Well-educated, Russian-speaking indigenous elites tend to be more nationality conscious than less culturally integrated workers or peasants.

Potentially such elites could become leaders of assertive ethnic nationalism; so far they have been typically tied into the status quo by a network of social and material privileges, as well as by the exercise of a degree of local power, tolerated by Moscow. However, these arrangements may alter under a leadership committed to reducing corruption and increasing control over the periphery. Economic stringencies could also strain centre-periphery relations by intensifying competition for diminishing resources. Under such conditions ethnic and nationality awareness may grow, though it is highly unlikely to produce any serious political instability, let alone the kind of 'break up of empire' so often misleadingly forecast by Western commentators.

Political management of nationality problems has long been eased by the ways in which republican interests cut across one another as well as by the lack of support for separatism. Fortunately for Moscow it is the small union republics, in the Baltic and Caucasus, that house the most militant nationalist tendencies. Where deeply-rooted national feeling persists within large ethnic groups, like the Ukranians, it is attenuated by Russian penetration and the co-option of local elites into the central Slav control hierarchy. Of course none of this makes economic and cultural nationalism in these republics negligible. Especially when reinforced by religion and the demonstration effect of national independence struggles in Eastern Europe, it remains a source of concern.

Greater concern centres on the Central Asian republics which combine numerical weight (nearly a sixth of the Soviet population and a quarter of military conscripts) with resistance to linguistic and cultural assimilation. While these ethnic groups are divided by tribal differences, the fact that they all share a Muslim heritage provides a potential basis for common action. The thrust of such action is likely to be for greater autonomy within the federation rather than for independence - Central Asian leaders realise that they are better off in the USSR than outside it. The situation in Iran and Afghanistan will continue to make Moscow sensitive to Central Asian demands even though there is no evidence to suggest significant support for militant Islam in these republics.

2. Dissent and Alienation

Over the last decade political dissent has been reduced from a broad stream of critical protest to a mere trickle of disparate activity. In an effort to eliminate all remnants of active dissent - a few samizdat publications, the independent professional trade union and the unofficial peace movement - Andropov has stepped up police repression. The emigration of Jews has also been virtually ended. Since the 300,000 who reportedly still wish to leave may be a source of dissent, Anti-Zionist committees have been established.

Heightened repression of dissent has been accompanied by an ideological counteroffensive to combat cynicism and bourgeois Western influences. This is a way of tightening political control over literature, the arts and the mass media as well as shaking up the Communist Party's own propaganda machine. The campaign also reflects serious concern of the leadership with the indifference to official values of the Soviet population as a whole and of youth in particular. But promoting 'positive heroes' in books and on television embodying Puritan virtues hardly represents a solution to deep-seated popular alienation. The last twenty years have instilled cynicism, laziness, consumerism and self-concern as principles of survival in a stagnant society and these cannot easily be uprooted.

Much of this feeling of stagnation may be attributed to a slowdown in upward social mobility and a consolidation of intelligentsia/ professional privilege. Children from working-class and peasant backgrounds find it increasingly difficult to compete with well-tutored

intelligentsia offspring for university entrance - the key to the privileged professional lifestyle to which most of the population aspire. Such unfulfilled ambitions generate social frustration and harden class-like divides. It is difficult to see what the politicians can do to diffuse such frustration except extol the benefits of further, rather than university, education. Yet such is the slow pace of mechanisation that graduates from further education, and increasingly those from secondary schools, cannot find jobs to match their qualifications and have to do manual work. Short of rapid and thoroughgoing restructuring, which the economy cannot afford, there is little that the leadership can do to resolve this situation. The fact that the workforce is more educated, critical and dissatisfied than ever before only highlights the importance of improving labour morale.

3. Labour

The most obvious and worrying symptons of low labour morale and alienation are absenteeism, turnover and poor work performance. Many workers drink on the job, do as little as possible, often conserving their energy for 'second economy' activity. A recent check of hundreds of enterprises in the Moscow area found that three out of four people took time off work to do the shopping or other errands; in some factories nine in ten left their places well before the end of the shift. If they feel unhappy about pay or conditions or get into conflict with management, workers simply change jobs since full employment and labour hoarding sustains a seller's market. All this means considerable losses in productivity which the ailing economy can ill afford. But because the popular legitimacy of the régime rests largely on the maintenance of such 'socialist welfare benefits' as full employment and an easy work pace, party leaders are very reluctant to cut at the roots of the problem. Andropov has adopted a three-pronged strategy which tackles some of the symptoms but hardly deals with the causes of the 'disease'.

(a) The current campaign against absenteeism, including spot checks in restaurants and shops, is designed to frighten both managers and workers into obeying the rules. Sanctions against indiscipline have also been tightened though they are unlikely to be applied by managers still anxious to keep their workers in order

to meet production targets. Until labour and supply problems are solved managers will continue to be reluctant disciplinarians.

(b) A more promising way of improving labour morale lies in increasing workers' involvement in production decisions and building up identification with the factory. Extending experimental shop-floor election of supervisors may help to reverse the deterioration in labour relations of recent years, the result in part of a more critical, educated and self-confident labour force. To try and accommodate this more demanding generation of workers, party leaders have urged the trade unions to defend members' interests more forcefully. Given the risks inherent in really defensive unionism it is not surprising that overall priority has been given to the safer option of improved participation. Yet the new law on labour collectives, heralded as a major advance in workers' participation, does little to increase genuine involvement. It is difficult to imagine how upgrading the status of 'workers' meetings' can give skilled labour the sense of participation it badly lacks. Indeed no genuine participation is feasible without major changes in the economic system.

(c) In an effort to improve commitment within the existing system Andropov has promoted the establishment of labour brigades which try and harness the disciplinary and motivating capacity of small work groups. Since some of the brigades - in construction - operate on a contract basis and all distribute bonuses according to performance they also fit into the general campaign to tie pay more closely to productivity.

Such moves will have little impact on general productivity unless people can buy goods they want with the money they earn. Record savings levels testify to the poor supply of consumption goods. More significantly, there is a widening gap between popular expectations of material improvement and declining economic performance. This gap seriously impairs the popular legitimacy of the regime which Khrushchev and Brezhnev built up on the basis of higher living standards. Hence perhaps the promises by Andropov to improve key trouble-spots such as housing, health and retail. Given the real prospects of economic stagnation he has also attempted to shift the basis of legitimacy to law and order, and even tried to

redefine the 'standard of living' in ideological and cultural rather than material terms.

4. Ideology

The effort to revive ideology as a motivating force underscores the changing and complex role of ideology in the Soviet system. It is more than a fixed dogma used to justify repression at home and expansionism abroad. Marxist-Leninist doctrines still exercise some influence on policy, excluding certain options, of which privatisation of industry is the most obvious, and militating against others, such as open unemployment. For the most part, though, ideology is instrumental, reflecting rather than shaping policy; it is the language of political discourse.

Ideology also plays an important role in controlling the professional/intelligentsia class. Required to pay lip-service to an ideology they typically scorn in private, members of this class have come to accept as perfectly normal the hypocrisy this involves. (Dissent consists essentially in the rejection of such moral schizophrenia. That is why Marxists and Leninists as well as Baptists can be dissidents, and why they are prosecuted not for ideological deviance but for anti-Soviet, anti-social behaviour). Valuable as this institutionalised hypocrisy may be in controlling the intelligentsia, it is hardly conducive to enthusiastic support and productive performance.

The gap between ideological claims and Soviet reality also weakens mass support and fosters indifference. Brezhnev attempted to resolve this problem by adapting the operative ideology to bring it closer to Soviet reality. He replaced Khrushchev's emphasis on the 'Building of Communism' with the notion of 'Developed Socialism', an intermediate stage between Socialism and Communism which the Soviet Union officially entered in the 1960s and in which it is scheduled to mature for a conveniently indefinite period. Developed Socialism perhaps lent Soviet stagnation some spurious ideological respectability but inspired little enthusiasm. The present party leadership is therefore using the notion of Developed Socialism more positively. First, social problems are now more plausibly recognised as rooted in Developed

Socialism rather than in some earlier stage of development. Second, the motivating vision of a 'better future' is being utilised, albeit very cautiously. 'We cannot hurry our dream' is the refrain. Lastly and most importantly, instead of Brezhnev's rather bland and ineffectual approach, ideological appeals have a more combative tone and content. Increasingly the overtones are nationalist and populist, highlighting order and discipline (against corruption and privilege), patriotism and strong leadership. Realistically, party leaders appeal to people to work harder for the sake of the country (the Motherland) rather than for the building of communism.

Whether such tactics will induce the population to accept stagnating living standards is doubtful. In fact it is extremely difficult to generalise about likely popular responses to deteriorating material conditions. Even the KGB and party apparently lack accurate information on this crucial question, hence the current stress on public opinion research, better information and public relations.

5. The anti-corruption drive

In a sense the anti-corruption drive is a public relations exercise designed to supplement the ideological campaign, boost popular support for the new leadership and tighten control over the administrative machine. Punishing directors and even ministers for negligence may temporarily distract public attention from the failings of the system. The prosecution of a few privileged and corrupt officials - including police officers - is bound to be popular. (Corruption has figured prominently as a focus of worker complaint in the Soviet Union and in Poland). Finally, shaking up the state and party hierarchy by selective prosecution of corrupt officials may help to clear the ground for any major reforms the leadership has in mind. For while Andropov may be affected by a KGB inclination to campaign against 'negative' features rather than build on positive aspects of Soviet society, he is sufficiently intelligent to realise that such campaigns cannot do more than temporarily alleviate some of the symptons of social problems. The most urgent of these, low general and labour morale, can only be resolved within the framework of an economic system which would get Soviet society moving again by rewarding initiative and hard work and stimulating enthusiasm and optimism.

IV: RELIGION

1. Policy

Among all the fundamental freedoms supposedly proclaimed by the Soviet Constitution and systematically denied in practice, there are some special points to be made about religious liberty. Perhaps the first is that it is not, contrary to popular belief, guaranteed in the Constitution at all. The relevant phrase is 'the freedom to hold religious worship' and reference to the laws shows that every other aspect of religious liberty - including the right to educate children in the faith of the parents - is systematically denied. It is Soviet propaganda itself, too often uncritically repeated by Western observers who have no excuse for not being more accurate, which misrepresents this as a formulation of religious liberty. One hears, 'The situation wouldn't be so bad if only the Soviets would keep their own laws.' It would be worse.

The point is important. However much Western 'liberal' opinion would like it to be otherwise, minor cosmetic changes within the system will achieve nothing. The Helsinki Accords are not compatible with the Soviet system, which sets no ultimate value on human rights as such: to accommodate them would incur fundamental change.

Soviet policy has one aim: to eradicate religion. This applies to Judaism, Islam and the oriental religions, as well as Christianity. Any fluctuations in the intensity of persecution and differences in the treatment of various churches or religious groups are a result of pragmatic considerations. Lenin personally inaugurated the persecution. Stalin planned to wipe out the Church as part of his great purges, but had to make an accommodation with religion in order to gather strength to win the war. In the late 1940s economic devastation averted his eyes from ideological struggles, but he began to reassert earlier policies at the very end of his life. This was the period of attempted total repression of the Catholic Church in Poland, Czechoslovakia and Hungary, as well as religion generally in the newly-Sovietized Baltic States. The Uniate Church was totally abolished between 1946 (Ukraine) and 1948 (Romania).

These same years saw the very beginning of a parallel attempt to exploit the value of religion in foreign policy. Stalin began to see that the church did have a certain value in the new political situation after the Second World War. He saw the Church as a possible means of persuading Christians to become pro-Soviet. There is a lively coming and going of church people to and from the Soviet Union; Soviet political sentiments expressed by the right clerics have been found to be more effective in the Third World - and sometimes here and in the USA - than the same words uttered by spokesmen from a Soviet Embassy. Therefore two contradictory policies towards religion coexist. 'The Soviet Government would like to have a phantom Church - one which has no members at all within the USSR, but which has powerful international connections which can be used to support Soviet strategy.' These words were written in 1964 and it seemed at the time that such a policy would not succeed. Yet 19 years later it has, due to one of the most successful propaganda campaigns the Soviet Government has ever launched. Even that practice of religion which legally remains (the official church) is distorted under party and government pressure to fit in with the system. The continuing, perhaps the growing, existence of an unofficial (sometimes called underground) church is therefore inevitable.

The Church benefited in certain material ways from the 'thaw' of the mid-1950s, for example the first publication of Bibles since the Revolution. The birth of an unofficial church was given further impetus by the harsh and unexpected anti-religious campaign conducted by Khrushchev (1959-64). This campaign dispelled any illusions among religious believers that this relatively stable situation was either permanent or guaranteed by Soviet laws. Khrushchev closed two thirds of all the 20,000 Orthodox churches by administrative (often illegal) action in that period. At this same time the Soviet régime stepped up its propaganda about the existence of religious liberty through its international activity, especially through membership of the World Council of Churches, which began in 1961.

Brezhnev held back from the worst of the violence. He still saw religious dissidents, especially Evangelicals and Jews, as a threat, but was more than ever determined to exploit the Orthodox.

Real 'trouble-makers' - not only Jews and Solzhenitsyn, but some Protestant and Orthodox leaders as well - were expelled or forced to emigrate.

The 'Andropov' policy began in 1977, with the imprisonment of the Helsinki monitors, not in 1982. 1979 saw a significant reinforcement of the anti-dissident campaign; Father Gleb Yakunin, who had campaigned for religious liberty within the Orthodox Church for fifteen years, was then first imprisoned. The year 1979 was that of the invasion of Afghanistan, one of the factors operative here being a determination not to allow the bacillus of Muslim fundamentalism to penetrate Soviet frontiers.

2. The place of religion

It is commonly stated that the Human Rights movement in the Soviet Union emerged as a result of the trial of Andrei Sinyavsky and Yuli Daniel in February 1966. In fact, this originated within certain religious circles five years earlier. By August 1961 a group of Baptists, suffering beyond endurance under the Khrushchev anti-religious campaign mentioned above, had organized a protest which ~~now drew~~ had drawn support from almost every republic. Hundreds were imprisoned, some murdered, and the Council of Baptist Prisoners' Relatives became the first organized group to defend prisoners of conscience in a communist country.

The Soviet régime was always terrified that these ideas of self-defence and activism would spill over into the massive Russian Orthodox Church, with its membership of at least 30 million. So far, for complex reasons, this has not happened. Soviet elimination of opposition has been subtle where possible. Men of bishop-calibre never reach the seminaries in the first place, any few who slip through are kept in virtual exile in the depth of the countryside and the tiny numbers who succeed in raising their voices now fall rapidly through the trapdoor of intimidation, incarceration in psychiatric 'hospitals' or sentence to lengthy terms of imprisonment. Despite this, somehow the Christian Committee for the Defence of Believers' Rights, established by Father Yakunin and others in 1976, keeps going on a reduced scale. The régime exploits the latent

nationalism of the Russian Orthodox Church in every possible way.

It is not an exaggeration to say that now every major denomination is involved in some way in a religious liberty/human rights movement. There is a strong Soviet campaign against Pentecostals, perhaps 30,000 of whom want to emigrate, like the Siberian Seven, and against Seventh-Day Adventists.

Roman Catholics are especially affected. Where they are most concentrated, in Lithuania, there has emerged the most co-ordinated protest movement extant anywhere in the Soviet Union and which began a decade before the election of Pope John Paul II. Documents emerging from Lithuania prove that at least 522 priests (73 per cent of the 711) have signed protests against Soviet anti-religious policies and in some dioceses the figure is as high as 94 per cent. Given the influence of these men and the intensity of Soviet threats against them, this is the visible tip of a massive protest. One document of October 1979, petitioning for the reopening of a church in Klaipeda, was signed by no fewer than 148,149 people, over 4 per cent of the total population of Lithuania.

The emergence of anything similar in the five Central Asian republics would terrify the régime and constitute the greatest internal threat to its stability. So far there are few overt signs of this happening, but Islam continues to be strong there (perhaps 40 million adherents) and generalizations about the acceptability of Soviet overlordship to the populace are wide of the mark. There is some evidence of growing disaffection in the Muslim areas. The 'phantom church' concept applies just as much to Islam as to Christianity. The Soviet administration enforced upon Islam through 'spiritual directorates' has established a bogus structure which bears no relation to the needs of the individual believer, who listens to the local Muslim clergy, operating mainly underground. The new superstructure is useful both for coercion at home and propaganda abroad.

3. The influence of Pope John Paul II

Here, within the area of this paper, clearly lies the greatest external threat to the stability of the Soviet system. The Kremlin must have been as totally unprepared for this event of 1978 as was

the rest of the world and the shock was considerable. It is entirely logical to believe that the attempted assassination of the Pope was in some way a reaction to this. This paper cannot touch the internal Polish situation, but the events there of the last five years prove that the Kremlin is right to be nervous.

For millions of people in Eastern Europe living under communism this election was not of itself a catalyst. It pushed along faster something which was already underway, as what is said above about Lithuania illustrates. Probably four-fifths of the Soviet Union's Catholics live in other republics, but they are very scattered. For them, especially for the Ukrainian Uniates, as well as for tens of millions of Catholics in Poland, Czechoslovakia and Hungary, with considerable pockets in every other communist country, including Albania and China, the Pope is now the major world leader. The coercion of the system cannot change this. Even Soviet Pentecostals write to the Pope. Soviet reaction in Lithuania is indicative. Pressure on the Church has become considerably worse recently, partly in tune with general policies, partly as a reaction to the election. There have been the worst trials of priests since Stalin and even the murder of some individual leaders of the Lithuanian human rights movement. The Pope could not have made his support for these suffering people clearer. The recent appointment of an aged Latvian bishop as a Cardinal is a direct reflection of this and stands alongside the earlier reported appointment of a Lithuanian banned from office, Bishop Julijonas Steponavičius, as Cardinal *in pectore*. The Lithuanians themselves have invited the Pope to visit them in 1987 for the 600th anniversary of Christianity in their land.

While the Pope's current policy towards Poland is cautious, being careful, except on isolated occasions, not to appropriate to himself the spiritual leadership of the nation, which properly belongs to the cardinals and bishops, he is clearly saying to the other branches of the Catholic Church under communism: 'Move forward. We will back you.' Last year he banned 'peace priests' in Czechoslovakia, but did not mention them in Poland. This is a considerable change from the Ostpolitik of Pope Paul VI. In the last two years the number of applicants for training at a seminary in Czechoslovakia jumped from 30 to 90.

4. Religious revival in the USSR

The concept of religious revival should be approached with caution. It is impossible yet to define what is happening, but something clearly is, even though perhaps on a lesser scale than in some other communist countries. Recent émigrés talk of the revival of the Russian Orthodox Church as an urban phenomenon affecting mainly youth. Baptist evangelistic campaigns have had significant successes in the countryside. As long as prison camps have existed, criminals in prison have had their lives transformed. Now increasingly, the socially disadvantaged are finding a refuge in religion. But this has intellectual content also. Any fringe religion or occult practice will find a following - Buddhism in European areas where it is not endemic, the Moonies, Hare Krishna, Yoga, levitation; even Brezhnev resorted, it is said, to a faith healer. Religion, in its growing complexity, will be on the map of Eastern Europe for the foreseeable future. Todor Zhivkov's daughter in Bulgaria became a Theosophist before she died and Transcendental Meditation is reportedly practised in high places in Romania.

Alexander Solzhenitsyn said in his recent television interview:

> 'It looks as if the shadow of communism is covering the earth more and more deeply. I would compare this with an eclipse of the sun. But with an eclipse of the sun a small portion of the earth is darkened, whereas with communism it is half the earth which is in darkness, perhaps even three quarters. But because communism has already shown its weakness, its inability to destroy Christianity, for this reason we may hope that the shadow will gradually pass across and clear the earth; and will perhaps clear precisely those countries which have been in the deepest shadow until now.'

This is a prophecy of the collapse of the Soviet system from within, with religion playing a decisive role. Could the continuing intensity of the Soviet anti-religious campaign be a reflection of precisely that same fear?

V: ECONOMIC CONSTRAINTS

1. The persistence of Stalinist irrationality

The wastefulness of Stalin's industrialization was beyond measure. Successive purges killed, or exiled, the most efficient farmers (early 1930s), imprisoned or demoted non-Party managers and senior technical personnel (mid-1930s) and decimated the senior and middle ranks of the Party (later 1930s and late 1940s). The loss of so much talented manpower was accompanied by the imposition of an industrial system which rewarded conformity and penalized innovation, and farm collectivization which removed all incentive to use land and livestock efficiently. Despite immense sacrifices in consumption to accumulate a modern capital stock in the producer-good industries, labour productivity was, and remains, low by the standards of market economies but high demographic growth enabled Stalin and Khrushchev to overman factories and keep unemployment behind the farm gate.

The mobilization of resources to create a heavy industrial base - effective as it proved to be in armaments against the Nazi invasion - was the ostensible reason for applying rigid central planning but at root it was adopted for political reasons, since Stalin could not tolerate decision-making outside his control. The same autocracy led him to abrogate the use of economics: for a decade it was the Party line that the Marxian 'law of value' did not apply to socialism. Even when this extreme dogma was withdrawn, the economic theory which was permitted and the price formation which was practised allowed no place for choice at the margin or even for utility. Waste was inevitable when no measure of opportunity cost was available to central planners or enterprise managers. With economic decision-making so arbitrary in nature, and so embodied within the monopolization of political power, the bureaucracy was unchecked by comparisons of costs and benefits, and developed a vested interest against change. Not only were their actions unmonitored by public opinion but the public were compelled by a sellers' market and repressed inflation to buy whatever goods and services were on offer. Any rational planning system, however little it allowed to consumption, could have assured more welfare by generating a mix of supplies that householders wanted.

Andropov, the only Soviet Party leader to have spent almost half his career outside the Party apparatus, has shown himself aware of the irrationality of his inheritance. At the first Central Committee meeting since that which appointed him, he implicitly denounced Stalin's so-called 'economic laws' and admitted that planning had too often been merely by 'trial and error'. In his first keynote paper - an article on the Marx Centenary in February - Andropov wrote of the need for a carefully prepared economic reform (surely with the Party and managerial vested interests in mind). Brezhnev had established in December 1981 an interdepartmental committee on reform and recently (March 1983) it was specified that east European experience would be considered. In April a seminar seemingly sponsored by that committee heard a forthright paper by an economist (possibly Mrs. Zaslavskaya) from the 'liberal' Novosibirsk Academy (from which Aganbegyan had presented a similar paper to Brezhnev in his first months). Leaked through the Washington Post, it castigated Stalin's treatment of people as 'screws' obediently in their place in society and economy, and identified the bureaucracy, from ministers to enterprise managers, as the principal inhibitor of a rational use of resources.

Andropov will take heed because those resources are now much tighter in relation to the government's goals (consumption, investment and military) than they were in Stalin's or even Khrushchev's day. Brezhnev had authorized three reforms: Kosygin's of 1965, which was withdrawn when the 'Prague Spring' frightened the leadership by associating political with economic liberalization, and his own of 1973 and 1979 which were centripetal in effect.

2. Population distribution: fertility and age

The Soviet Union is caught in a demographic trap. Decades of pressure on women to remain in gainful employment throughout their reproductive lives (nine out of ten working-age women are in jobs) has slowed the natural growth of the population to 0.8 per cent (the birth rate is now 1.8 per cent against 2.5 per cent as recently as 1960) and has brought family size (rural as well as urban) down to 1.7 children. That pressure had been a consequence both of Stalin's cut in real wages (the 1920s level was not regained until the 1950s) which made two breadwinners essential, and of urban

overcrowding (housebuilding was sacrificed to factory construction and hence job-creation); it was not because of any labour shortage. But there is such a shortage now and, at present productivities, women cannot be spared for childbearing, even if they were so inclined. Pro-natalist measures introduced in 1981 are aimed at achieving an optimal 2.65 children per family, but (the birth grant for a second and third child being only half the average monthly wage while family allowances are paid solely for the fourth and subsequent children) are still so modest as to suggest that the authorities do not want to deplete the workforce too seriously. The only regions where fertility is high are in the Muslim-tradition areas of Central Asia and the Caucasus: four of every ten Soviet births are in those regions, which account for only 18 per cent of the population; that trend will bring those regions to a quarter of the total population by the end of the century. Between 1981 and 1995 the active-age population will rise by 12 million in Central Asia and the Caucasus but fall by more than two million in the Russian Federation. Because the bulk of mineral resources, agricultural land and capital assets are in the Russian Federation, migration is the obvious solution. But this is neither possible (Central Asians and Caucasians live better where they are and enjoy closely-knit community life) nor desirable (since it could create a gastarbeiter relationship with the Russians). Investment in the areas of manpower expansion is the more plausible way to prevent cultural, social and linguistic clashes in a country hitherto remarkably free of them. The rise in the non-Russian labour force will so sufficiently exceed the decline among the Russians that in the present decade the aggregate working-age population will be around 0.4 per cent per year, but this must be compared with 2.3 per cent in the 1960s and 1.4 per cent in the 1970s.

Some demobilization of the armed forces by reducing the annual rate of conscription could ease the labour shortage. To be effective where the manpower is needed, more Russians than Central Asians would have to be exempted and the army is already seen as too 'coloured' (there has been at least one public reference to such 'yellowing' by a senior Soviet officer); problems in military training already arise from recruits' inability to understand Russian.

A second population problem is the rising burden of the aged. In Soviet villages four out of ten are pensioners (partly because young people migrate when faced with lack of opportunity in collective farming) and in the USSR as a whole the proportion of those of pension age was 15 per cent in 1980 against 12 per cent in 1960. Because both Khrushchev and Brezhnev considerably widened eligibility, pensions payments, after taking account of the (understated) official retail price index, have risen 4½-fold over those twenty years. A decree of March 1981 increased pensions (by as much as 43 per cent on collective farms): during the 1980s the real cost of the aged will be at unprecedented levels. The 1981 pro-natalist increments in child benefits is, in the short term, offsetting in money terms the long-run decline in the population under working age (which will be 28 per cent at the end of the century, compared to 33 per cent in 1970). The expenditure on dependency can only be covered by transfers from the working population, whose standard of living must decline in the absence of productivity improvement.

3. Excessive investment

The Brezhnev administration recognized the new stringency by levelling off investment under the present Five-year Plan (1981-5), but this could have been done long before with better capital productivity. The previous Five-year Plan had been typical in exceeding the investment foreseen while underfulfilling expected production. Just as with manpower, more input was used than planned for each unit of output. Inefficiency in the capital good sector (poor design, inadequate maintenance, lack of spares, misuse) was not the sole cause of declining capital productivity. Natural resources used to be cheaply exploited, those easy of access being overused (the nearer forests, for example, were atrociously overcut and not replanted) and conservation and pollution aspects being ignored. Resources now have to be extracted in remoter regions, in harsher climates and with costly environmental protection. The increasing complexity of technological equipment, especially where labour saving is the aim (the USSR is co-ordinating a major drive on robotics in Comecon), has also added to the cost of capital per unit of output. The share of new investment needed to replace obsolete or outworn plant is also rising (depreciation is higher the slower the rate of growth of the capital stock).

A higher capital-to-output ratio has, finally, been experienced than in a market economy because planners have preferred the construction of new enterprises rather than the modernization of those existing.

A recent scheme to compile 'passports' for each piece of equipment to demonstrate its capacity has had little practical effect: it was aimed at the 'concealment of reserves' by managers anxious to have easier output targets. The allocation of one-third of state investment to agriculture and the industries directly supplying it has recently further reduced the rate of return on new capital, for farm output has declined under a run of four bad harvests (1979-82). Even if this year, as is already pretty certain, brings a good (though not a bumper) crop, agriculture soaks up the flood of investment like a marsh. Much equipment is ill-used and quickly breaks down, is unsuitable for the purpose intended or could only operate if spare parts of other machinery were available. This year's measures to allocate equipment, land and livestock to small teams who would be paid according to the yields they obtain is a step towards restoring the incentives destroyed by collectivization and nearly a half-century of second-class citizenship (collective farmers were not issued with identity cards, permitting free migration within the USSR, between 1932 and 1976/80).

A little relief may be on hand for 1984-5, the last two years of the present Five-year Plan: completion of the Baikal-Amur Mainline and the Urengoi-Uzhgorod gas pipeline (massive priority projects tend to be well-managed in the USSR) will release skilled construction labour and equipment.

4. Supply/demand imbalance

Andropov admitted to the June Central Committee that personal after-tax incomes annually exceeded the value of consumers' goods and services. The 'inflationary overhang' (partly measured by savings-bank deposits, but much is kept in cash, above all for earnings on the 'parallel' market) is mostly that built up in the 1970s, because in the past two years Soviet planners have been reducing the 'gap' between purchasing power and availabilities.

This has partly been effected by unbottling inflation: the official retail price index, long constant, went up 1.3 per cent in 1981 and 3.1 per cent in 1982. Inflation on the parallel market has been much steeper: over the 1970s the foodstuffs sold on farm markets rose from 55 per cent above to double the official state-shop price.

The authorities probably prefer a certain inflation to currency confiscation, which was the way Stalin's monetary reform of 1947 liquidated the wartime 'inflationary overhand'. Official prices are hence likely to rise much more in the 1980s: such would permit a restructuring of retail prices towards market-clearing relationships with quantities made available. The disparities between demand and supply (exhibited in queues, shortages and preferential supplies to the elite through their own special shops) widened under Brezhnev partly as his incomes policy worked through (higher money wages becoming more equally distributed). Sharp increases in the state-shop price of meat in Czechoslovakia, Hungary and Poland largely eliminated queues and Andropov could carry off a similar action, despite its unpopularity with the poorer-paid with the added advantage of cutting the vast agricultural subsidy (some $33,000 million at the official exchange rate).

A more realistic supply/demand relationship of state-shop prices would weaken the various free markets and the profits derived from them. Andropov early showed his policy of attacking corruption (which a black market fosters) and of strengthening labour discipline (which would respond to normal conditions of retail distribution).

5. Slow growth and the arms increment

Aggregate Soviet output (whether measured in GNP or in the Soviet net material product) decelerated during the 1970s and more markedly since; the physical volume of non-civilian goods (procurement and construction for the armed forces, space vehicles, military-oriented research provision) has throughout expanded at a faster rate - though more slowly after 1976. If productivity in making such goods were to have changed over that period at the same rate as in civilian goods, arithmetically the 'arms burden' could only have increased. In NATO governments that conclusion is common ground: 'this resulted in the economic burden of defense rising

from 12 to 14 per cent in 1970 to 14 to 16 per cent in 1981, due to the more rapid growth in defense spending than GNP' (Major General Bissell to a US Congressional sub-committee, 28 June 1983). There is nevertheless evidence (not rehearsed here but see also paper VII) that productivity in arms production (current-priced inputs per unit of output) has improved relative to that in civilian production. Soviet civilian industry and agriculture have a notoriously poor record in these years and a command economy has done what it is best suited to do - that is, run the arms industry efficiently.

6. Trade dependence

Stalin renounced international trade: by 1937 he had cut imports to half a per cent of GNP. The postwar extension of Soviet power to Eastern Europe required trade, and Brezhnev increased trade dependence both by pressing for more Comecon integration and by purchasing technology and grain from the West. Nevertheless, lack of comparative cost criteria on which to base rational trade continues. More gains from trade could be expected in normal circumstances but the Soviet present is abnormal in many ways.

The USSR subsidizes trade with Comecon and had heavily to support Poland in 1981-2. It is faced with recession and sanctions in the West and deteriorating terms of trade (in contrast to the windfall gains it made on its oil and gold sales in the 1970s). It has to spend $9,000 to $12,000 million annually from its hard-currency earnings to buy food; with the rest of Comecon (other than Hungary) it can expect little 'new money' from Western banks. Brezhnev's final years were marked by a diminution of Soviet interest in trade with the West and pressure for more intra-Comecon trade and integration. Some signs may be found of a return to East-West trade under Andropov, but there are evident differences on policy among Soviet officials.

VI: TECHNOLOGICAL INERTIA AND ITS CONSEQUENCES

1. The nature of the problem

Eastern Europe appears to be in the grip of a series of closely interconnected economic problems, which in some countries have already assumed crisis proportions. External factors and mistaken or over-ambitious policies have contributed to this situation but the fundamental cause lies in the operation of the central planning mechanism itself. The most obvious manifestation of these difficulties is the decline in the rate of economic growth which, with some temporary remission, has occurred throughout the whole area during the last decade or so. When one also takes into account that this performance is invariably overstated by the East European statistical authorities because they fail to adjust the output figures expressed in value terms for concealed price inflation, the picture becomes even bleaker; it may well be that the Soviet Union has entered a period of no growth in real terms. This creeping stagnation is occurring in countries which for the most part are markedly inferior to the developed OECD countries in terms of their relative levels of GNP per capita and consumption per capita and have a great deal of catching up to do; for these reasons one would expect much more rapid growth than that of advanced Western countries as a result of the Eastern 'imitator's' opportunities to capitalise on existing experience and technologies. But for reasons ~~to be~~ discussed below this anticipated pattern appears to have been curtailed prematurely.

2. Causes and broad implications

The seriousness of the situation described above, as it is viewed by the East European governments, can not be emphasised too strongly since it has acute political and psychological aspects as well as economic ones. Declining economic growth is the insistent everyday experience which undermines consumer expectations and carefully instilled beliefs in the superior dynamism of socialist economies; prolific and ingenious ideological writings fail to obliterate from public consciousness the transparent divergence between rhetoric and reality. Falling growth makes it increasingly difficult to satisfy the competing demands of the consumer, heavy

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industry and the armed forces, raising the long term dangers of a 'legitimacy crisis' or a decline in relative military power, or perhaps, both at the same time. Thus, long term tendencies of economic decline can be discerned which insidiously impede the achievement of key social and political objectives. It is appropriate to refer to this complex process as a 'crisis' not because any East European society, least of all that of the USSR, is on the point of immediate collapse but because it is a systemic disorder which shows no signs of substantial reversal either in principle or in practice.

The root of the problem lies in the failure of the USSR and other East European countries, despite sporadic experimentation, to make a successful transition from an 'extensive' pattern of growth to an 'intensive' one. The traditional instruments of central planning, which in the USSR were effective during the 1930s in concentrating resources on priority areas and facilitating the rapid development of basic industries, have proved themselves a cumbersome and unsuitable vehicle for promoting modern technological development on a broad front. Discipline and planners' preferences proved ultimately to be an inadequate substitute for the spontaneity of the market. Readers of the OECD's 1969 report on Science Policy in the USSR, reflecting on the present innovation scene in Eastern Europe, would instantly recognise its salient features: lack of incentives, insurmountable departmental barriers between science and production and between different industrial ministries, and failure to fully incorporate plans for technical progress within the system of material balances. Western writings since 1969 have extended and refined our understanding of these problems but, in essence, the picture remains the same. As well as the frank admission of technological backwardness in many industries on the part of East European leaders, vivid articles have appeared, even in the conservative Soviet press, underlining the precise institutional causes of this backwardness. It should be noted that these problems are not the result of an insufficiency of manpower and equipment devoted to R and D. On the contrary, with some variation, the R and D effort in all the East European countries absorbs a relatively large share of national resources: between 3 and 4 per cent of national income in a developed country such as the GDR down to

approximately 1.5 per cent in Romania, though even here the percentage of engineers in the labour force is greater on the average than in the European members of OECD. Soviet spending on research and development, which even at a most conservative estimate is at least equal in scale to that of the United States, is still growing at a faster rate than GNP. Given the popular beliefs and ideological convictions about the role of science in society, which have sustained this pattern of spending, it must be especially distressing to find that economic institutions and structures are clearly failing to translate these scarce inputs into a satisfactory rate of technical progress. With the exception of the high priority defence sector, the USSR is technologically backward in most of the major branches of industrial production, especially in the modern research-intensive sectors. Moreover, there are no firm indications that the technology gap has closed during the last 15-20 years to any appreciable extent. These are, of course, vast generalisations but they can be supported by detailed evidence.

How, then, are the East European countries to escape from this economico-political straitjacket? For most of the countries in question, reliance on the traditional engines of economic growth is severely constrained and therefore in the final analysis it is primarily technical progress which can cut through this Gordian knot of problems. Technical progress can be enhanced in a number of ways: by (a) institutional reform of the central planning mechanism, (b) greater technological integration within Comecon, or (c) the purchase of key modern technologies from Western countries as a partial substitute for lack of domestic innovation. It is this latter alternative, offering the prospect of immediate economic impact and minimal institutional disruption, which has been so attractive to Comecon countries during the decade of the 1970s. It may therefore be useful to examine the lessons which may be drawn from this experience.

3. The acquisition of Western technology

The acquisition of machinery, equipment and know-how from the West during the last decade has undoubtedly made a valuable

contribution to technological progress in countries which, as we have seen, appear systemically incapable of promoting rapid industrial innovation on a broad front. In such an unfortunate situation any source of dynamism is fervently welcomed by the East European countries. The available hard evidence suggests, however, that we would be unwise to exaggerate the overall economic importance of Western technology or, by implication, the political leverage which it allegedly confers. Firstly, the general impact of imported technology on economic growth (as distinct from growth rates in very specific sectors of industry) is quite modest. This is a function of the relatively small proportion of total investment which these imports represent for the Comecon countries, exacerbated by the weak assimilative capacity of centrally-planned economies and the predominance of 'passive' mechanisms of technology transfer. In no East European country has imported technology ameliorated in any fundamental way the simmering economic-political crisis or 'politics of stringency' as Bialer has called it. Secondly, the Eastern bloc continues to supply the lion's share of its new plant and equipment, supported by a large (though often ineffectual) R and D effort in each member country. New technologies could no doubt be delayed by the denial of Western equipment or know-how but it is most unlikely that with open access to the world's scientific literature they could be prevented indefinitely. The East European régimes may well be ponderous from an institutional point of view but they are not primitive. Thirdly, apart from local difficulties with a few specific products there is little evidence to substantiate fears that Western capital goods exports have 'boomeranged' back in the form of substantially higher imports from the Eastern bloc, either of consumers' goods or, more indirectly, sales of machinery and equipment on world markets. Any inconvenience which has been caused in some sectors of industry must be weighed against the considerable benefits to Western capital goods producers in others. Fourthly, quite independently of the wishes of Western governments to either encourage or restrain the transfer of advanced technologies to Eastern Europe, hard experience over the last decade has brought a recognition of self-limiting financial constraints. As several East European countries teeter on the brink of default and the USSR is no longer seen simplistically as a 'debtor of last resort', Western banks are showing a marked reluctance to extend further

credit facilities. On the Eastern side, the knock-on effect of shrinking intra-Comecon energy subsidies on hard currency balances, arising from the need to top up requirements from unsubsidised sources at current world prices, will make it even more difficult to purchase Western technology on a substantial scale. Finally, in the face of growing indebtedness and wary of the political implications of excessive dependence on Western technology, the East European countries have themselves initiated cut-backs in machinery imports during the second half of the 1970s. When all these trends are taken into account it is difficult to see how imported plant and equipment could be a decisive instrument of technological progress in the 1980s and beyond, acting as a long term substitute for deficiencies in the indigenous innovation systems of centrally-planned economies. Technology transfer will continue but probably on a highly selective basis, with even more strenuous attempts by the East Europeans to secure compensation deals and the benefits of 'active' cooperation agreements. Western technology may thus be a palliative but it is not a cure.

4. Other solutions and the role of Western policy

Predictably, in the light of this experience, the focus of attention in the USSR especially is now turning to the question of institutional reform. Some possible variants of reform are summarized very briefly in the Appendix.

The political situation in Eastern Europe at the present moment is obviously in a state of flux and it is not possible to determine with any certainty which variant or combination of variants will eventually emerge as the dominant pattern. In the USSR, appeals for greater effort and discipline together with a crack-down on corruption are more in evidence since Andropov's arrival at the top, but this may be a temporary phase to secure his base of support before more radical and politically controversial reforms are contemplated. These developments need to be monitored and studied in depth. Western policy-makers should be aware that the final outcome could be influenced quite strongly by their collective policy towards the East European countries. A distinguished French analyst has expressed the view that 'Eastern societies are

now so weak that any Western move can provoke an uncontrollable crisis. In short, we may have enough influence to destabilise but we are not capable of controlling destabilisation' (author's emphasis). The insight is penetrating but it lacks the sociological perspective of the 'Hawthorne effect': Western countries may not even have the power of destabilisation if the peoples of Eastern Europe can be convinced that we are deliberately trying to engineer this state of affairs.

Indeed, Western pressures on the economies of Eastern Europe in the form of specific embargoes, or a broader and more restrictive interpretation of military-related technologies or the economic impact of more intense military pressures could be counter-productive, forcing the Comecon countries towards the adoption of Variant C (neo-Stalinism) as the only realistic way of maintaining defence industry supply priority and containing popular discontent in conditions of increasing economic scarcity; the policies of Western governments could also be presented as a convenient excuse for poor economic performances, which are in reality the result of much deeper systemic failures. On the other hand, it might well be argued that the application of economic pressures by intensifying the 'politics of stringency' will be an even greater impetus to reform and will moreover require more urgent consideration to be given to the movement of national resources from the military to the civilian sectors. The final verdict here must rest on a first-hand evaluation of the character of the Soviet and East European political élites and their likely reaction to external pressure. This is clearly a matter of political judgement rather than academic analysis and Western governments will have to weigh carefully the long term consequences of their actions at a time when a confluence has occurred between an objective need for institutional reform and impending changes in the Soviet leadership.

Appendix: Some alternative paths to institutional reform in Eastern Europe

REFORM VARIANT	SPECIFIC FEATURE	FLAWS OR PROBLEMS OF IMPLEMENTATION
A. Hungarian type economic reform	A muted form of market socialism. Greater spontaneity and dynamism as a result of some administrative decentralisation, greater competition and a liberalisation of the price system and foreign trade.	a) Emergence of some of the characteristic economic problems of capitalism within the framework of state socialism. b) Opposition of defence industry lobby whose resource priority depends on maintenance of central planning and of middle level party bureaucrats whose power depends upon administrative controls over resources. c) Danger of inflamed class antagonisms as a result of widening income differentials.
B. Technocratic reform	Streamlined central planning, which involves the further development of: science production associations, more stringent state standards, ambitious inter-branch programmes of technical development etc.	a) Problems of transplanting administrative arrangements which have been successful in the defence industries into a civilian environment without guaranteed priority over resources or close customer participation. b) This type of reform administers change but provides no incentive to initiate it in the first place.
C. Enhanced discipline (Neo-Stalinism)	Greater penalties for lateness, absenteeism and drunkenness; socialist competition between enterprises; more insistence on personal responsibility for failures and dismissal and demotion of incompetent managers; elimination of corruption.	a) Could bring some short run improvement in effort but contains in a modified form the major flaws of the Stalinist system, which successive leaders have been trying to eradicate since 1953 : a) no stimulus to spontaneous initiative and creativity; b) no solution to the problem of the coordination of complex interdependent elements of an advanced technological society; and hence, c) misrepresentation of systemic problems as the fault of the failures of individuals.

REFORM VARIANT	SPECIFIC FEATURE	FLAWS OR PROBLEMS OF IMPLEMENTATION
D. Comecon Cooperation	Greater technological specialisation and integration as a result of the rejuvination of existing mechanisms of cooperation within Comecon.	a) Poor track record for developing and disseminating advanced technologies. b) Begs the question of institutional reforms in each country which would provide an initial source of innovation on which cooperation could be based.

VII: THE IMPACT OF MILITARY CONSIDERATIONS ON POLICY

1. Soviet Military Doctrine

There can be no doubt that despite current civil defence efforts in the USSR, a strategic nuclear exchange with the USA would so destroy the existing fabric of social control that the Soviet communist system would collapse. Even a limited exchange of strategic weapons - if such a war is thinkable - with, for example, the UK or China, would present to the Politburo an unacceptable risk of total social disintegration. This would be especially true if the USA were to escape such a limited exchange. Consequently a strategic nuclear war is the kind of war the Soviet Union wishes to avoid at virtually all costs.

If war breaks out for any reason in Europe it will certainly be the task of the Soviet Armed Forces to win that war, but no war could be considered as won if it escalated into a strategic nuclear holocaust. To be won at all, a war in Europe must be started suddenly to pre-empt NATO deployment and won quickly, preferably before even tactical nuclear weapons can be used effectively. It is the function of Soviet Military Doctrine to prepare the nation and the armed forces for such a war (as well as for any other war they might need to fight). Furthermore, Soviet resolve to prepare for the contingency of war is st/ threngthened by their experience in the Second World War, which demonstrated the cost of inadequate military preparedness. The main impact of the armed forces on Soviet policy is determined by their perception of their ability to conform to the demands of that doctrine, and the pressure which the armed forces can bring to bear on the party to provide the material and personnel requirements which will enable them to fulfil the requirements of the doctrine.

Soviet Military Doctrine includes the concept of maintaining a constant awareness of war and military matters at every level, from the basic military training in all secondary schools to the sessions of the Defence Council, probably the most important executive group after the Politburo itself. The Defence Council presides over the Soviet military machine, directing, controlling and monitoring it. It serves as the focus for three critical policy processes: information

gathering; analysis for the formation of decisions; and ensuring that decisions made are actually carried out. The Defence Council is chaired by Andropov, and includes as permanent members Tikhonov (Chairman of the Council of Ministers), Ustinov (Minister of Defence), Chebrikov (Chairman of the KGB) and Gromyko (Foreign Minister). The heads or deputy heads of a large number of important party and governmental institutes serve as permanent advisers to the Defence Council: for example, the Deputy Chairman of the Military-Industrial Commission, of the State Planning Committee, of the committees for Material Supply, for Science and Technology, Construction and Economic Relations, and of the relevant production ministries.

The main task of the Defence Council is to approve the share of the nation's material, financial and labour resources to be allocated to military use. The General Staff provides an estimate of the areas in which the USSR is inferior to NATO, the areas in which it is superior, and an overall ratio of superiority or inferiority. The Military-Industrial Commission produces an annual plan of industrial support to the armed forces, carefully related to current research and production capacity. The State Planning Committee determines the areas and degrees of civilian economic support available, and coordinates and presents an overall defence budget. Conflict of interests between the civilian and military sectors is reconciled through the Secretariat to the Central Committee. The completed draft is formulated by the Defence Council as the State Military Plan, which is then incorporated into the State Social-Economic Plan to be approved by the Politburo and ratified by the Supreme Soviet.

Whilst military considerations, therefore, are weighed in every decision of state, and defence expenditure is given exceedingly high priority in the national budget, military personnel play a less important role in decision-making than might be thought. They are involved in all levels of government, but only in limited numbers. The relationship of the armed forces to the Communist Party is rather like that of skilled bricklayers and steel erectors to architects. The architect's main interest in the bricklayer or steelman centres round the limitations of their craft: what can be done with the materials at their disposal; how can new materials be used to cut

costs or improve performance; and how much is available and at what cost, as this will determine the pace and scale of the building process. Consequently, the influence of military representatives in government on state and party policy tends to be a fluctuating negative one: party First or General Secretaries have not always thought it necessary to have the Minister of Defence as a full member of the Politburo. As skilled artisans, however, the advice of the military is frequently sought by the architects of Soviet policy, the party leadership, which is aware of the value of the armed forces as a means of getting one's own way.

2. Defence expenditure

The most important practical features of this concept of a Military Doctrine is the way it enables the USSR to maximise its defence capacity whilst keeping its cost within reasonable limits. It achieves this in three particular ways:

(a) By integrating civilian and military elements within a society in an organized structure in peacetime, it ensures that the military can draw on civilian resources effectively in wartime and reduces military demands on the peacetime economy.

(b) The reasonably permanent doctrinal framework and institutional stability, coupled with the effective integration of all elements of the defence community, makes for a logical and economical weapons and equipment procurement process. Despite Soviet overall technological inferiority compared with the West, most Soviet equipment is as good ~~in~~ as its Western equivalent, and most would be between one third and two thirds of the unit cost of comparable Western equipment, regardless of economies of scale. The British Army of the Rhine and the Soviet 3rd Shock Army are roughly the same size in terms of manpower. Yet, compared to BAOR, 3 SA fields

2½ times as many tanks
6 times as many artillery weapons
1½ times the quantity of infantry
1½ times the logistic lift capacity
and has greater electronic warfare, air defence, and nuclear chemical decontamination capacity.

Moreover, due to the design and engineering features of Soviet equipment, it has been shown that the total cost of this equipment bill is only about 15 per cent more in real terms than the equipment of BAOR. When one adds the comparison of air force support to the ground forces there is a similar disparity.

(c) The Doctrine forces the military to respond logically to political requirements. Thus if the political need to engage in a war is perceived as being possible, and it is recognised that surprise and speed are essential for victory, then the military establishment will be forced to adapt its organisation and tactics to meet this requirement, even if it means a complete reorganization and restructuring. This, in fact, is what we are seeing in the Soviet Army at present. This is perhaps the most impressive result of the Military Doctrine, because it involves acceptance of institutional change in peacetime.

The foregoing can throw the position of the defence industries into a different light. Estimates of the share of Soviet GNP devoted to defence are usually couched in Western models: i.e. if the USA were to have provided the same number of men and equipment in the last decade, what would it cost? Answer: 13-15 per cent of GNP or 40 per cent of public spending. In such a light the Soviet defence industries might look like a millstone around the neck of the Soviet economy, but, due to the militarized nature of Soviet society, the defence industrial establishment is better viewed as the dynamo of the Soviet economy, because it is the most efficient and energetic element of the economy; defence expenditure cannot be seriously altered without a considerable restructuring of the economy as a whole. This is, of course, possible, but it would surely require very serious motivation, which would seem absent.

The Soviet defence effort does not cost the USSR in budgetary terms as much as many Western analyses would infer, and economic or social pressures are as yet insufficient to force a significant cut in military expenditure. There is little likelihood of any levelling off of military production or large scale reduction in uniformed personnel, despite the industrial labour shortage.

3. The Warsaw Pact

In contrast to NATO, the Warsaw Pact is not an association of sovereign states banding together for mutual security, but an organization established by the USSR (a) to strengthen its control of Eastern Europe, (b) to provide a framework to allow for the military development of Eastern European countries as an element of their natural development along Socialist lines, and (c) to ensure the integration of Eastern European armed forces with the Soviet armed forces. By enabling the Eastern European countries to share in the burden of the defence of the Socialist Bloc, the Warsaw Pact goes a very long way to reducing the economic burden of Eastern Europe on the Soviet economy. The high level of military production of certain items of equipment in Western Europe allows that equipment to be exported to other countries in support of policy in the Soviet interest, again reducing the burden on the Soviet defence sector, and even earning hard currency.

Nor is it a military burden in that it supplies a very large reserve of manpower, most of which can effectively be brought under Soviet military control at short notice and under almost all conceivable circumstances. All Warsaw Pact armies are composed of conscript soldiers and junior NCOs (80 per cent) and senior NCOs and regular officers (20 per cent). The regular soldiers probably comprise the least anti-Soviet element in each Warsaw Pact country. Officers in general only reach battalion command if they are party members, and only reach regimental (brigade) and divisional command if they have attended long (1 or 2-year) courses at Soviet military institutions, and obtain positive recommendation from the Soviet representatives in their national armies.

The level of training and equipment, and military and political reliability vary from army to army, just as in NATO. With the possible exception of the Romanian, no Warsaw Pact army can be expected to defend its country against a Soviet intervention. All the Warsaw Pact armies (even the Polish Army) can, within certain limitations, be expected to support the Soviet Army against NATO in the event of war.

VIII: THE SOVIET UNION AND EASTERN EUROPE

1. Benefits and costs

The Soviet Union gains a number of what it perceives as benefits both from its control over Eastern Europe as such and from the particularly strict methods of control and standards of conformity demanded. In ideology, the maintenance of Marxist-Leninist (Soviet-type) systems underpins Soviet claims for Marxism-Leninism to be a world system, especially in its Soviet form. In politics, there is a sense of prestige and satisfaction from ruling directly or semi-directly over a large tract of what in Soviet eyes is 'the West' or at any rate Europe. Both these serve to legitimate Soviet rule in the eyes of the Soviet population for which the existence of a belt of client states in Eastern Europe is a source of emotional satisfaction. To this may be added the 'blood price' factor, i.e. that the Soviet Union 'paid in blood' to liberate these areas in the Second World War and will, therefore, never abandon them to 'fascism' or 'imperialism'. In defence, the existence of a defensive glacis has an analogous function. In economics, regardless of whether Eastern Europe constitutes a burden or not, it is part of a world economic sub-system with its centre in Moscow. In a word, the Soviet Union maintains an empire and is content to do so. The economic cost of Eastern Europe to the Soviet Union according to recent estimates is relatively low, having peaked at $20,000 million in 1981, which is hardly a high price to pay for the perceived political benefits. For all these reasons, the Soviet Union is unlikely to accede to (unofficial) East European demands for the Finlandisation of Eastern Europe.

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Tension between East European political aspirations and the externally imposed Soviet-type system in conflict with inherited identities is at the centre of the East European dilemma. Attempts to resolve the tension have been rebuffed by the Soviet Union (Hungary 1956, Czechoslovakia 1968, Poland 1980-81). Hence in the 1980s, Eastern Europe faces a pressing need for thoroughgoing political reform in the direction of providing for popular participation in the political process. The most the Soviet Union is prepared to countenance is economic reform tending to promote rule by technocratic elements (whose record is spotty, viz. Poland and Romania

where leaderships sought to rely on technocratic efficiency). In any case, there is a pivotal distinction to be made between reform (making the system perform better within its own framework) and democratisation (transforming the system completely by providing for much greater popular control). Eastern Europe is at a stage where it would benefit in respect of political efficiency and cohesiveness from democratisation; it is unlikely to achieve this.

This has important consequences for legitimation and for the nature of the ruling ideology. East European régimes remain weak because they have been unable to create either a set of political institutions or a set of political ideas to correspond to popular aspirations. Marxism-Leninism has degenerated into vapid formulae and has become quite inappropriate for the expression of new ideas. Nationalism, which in any case undermines the coherency of Marxism-Leninism, is only partly usable because régime and popular perceptions of national aspirations and ambitions differ, above all regarding the Soviet Union. This leaves only the propagation of the technocratic idea, that the party is justified in holding monopoly power because it is best fitted and most successful in doing so. This proposition is undermined by everyday experience.

Communist parties in Eastern Europe have retained power (a) because of Soviet support; (b) because they have built up a smallish group of supporters within the country - this need not exceed 10 per cent of the population; (c) because they have been extremely competent in the deployment of power and have no scruples about using all the instruments of power to achieve their aim of sustaining their preeminence. Indeed, Soviet-type systems are essentially concerned with maintaining a small group in power over society. One significant constraint on the use of power, however, is the recognition that the crude application of power (violence on a large scale, terror) is counter-productive, especially in the economy. Hence there has been a mounting sophistication in the instruments of power employed.

Thus the outlook for Eastern Europe as a whole in the 1980s is one of little change. There can be no real political change, so that there may be repeated expressions of discontent, but seldom

enough to produce major upsets. There will be friction, weakness, restiveness, dissatisfaction and in all likelihood a greater use of repression if unrest increases, but no collapse. As far as the Soviet Union is concerned, it appears quite prepared to pay the relatively small price that this involves.

It should be noted that over the years, the Soviet handling of Eastern Europe has shown greater skill. The crude violence of the 1950s (GDR 1953, Hungary 1956) has been replaced by more subtle methods. These currently include control via the Warsaw Pact and Comecon. There is already a suggestion among Western analysts that top level military officers in Eastern Europe feel more of a loyalty to the Pact and the Soviet Union than they do to their own countries. Also noteworthy is the increased attention paid to coordination among Warsaw Pact Ministries of Interior, a trend which has intensified since Andropov's accession.

2. Specific difficulties

Romania, whose 'independent' foreign policy was never more than an irritant to Moscow, is now in the midst of a major crisis. This has even farther reduced Romania's capacity for independence, such as it was, and encouraged the Soviet Union to step up pressure since Andropov's accession - there is some evidence of personal tension between Andropov and Ceauşescu. The Soviet Union, it can be assumed, will look with favour on a transition from Ceauşescu to a more congenial type of régime in Romania, but would like to achieve this with a minimum of disturbance. Any collapse of the Ceauşescu régime would entail direct or almost direct Soviet action in Romania, something which might even be welcomed by sections of the Romanian population (depending on the circumstances of Ceauşescu's going).

Czechoslovakia, the GDR and Bulgaria appear to pose no threats of trouble for the moment. However, all three are likely to undergo succession crises over the next few years. The rather slow economic growth in Czechoslovakia and the GDR is not being met by any real economic reform. Bulgaria, which has always enjoyed a very special relationship with the Soviet Union, has turned in a better economic performance.

Poland remains a continuing source of difficulty, inasmuch as the Jaruzelski leadership has manifestly failed to 'normalise' the country to Soviet satisfaction. The Pope's visit demonstrated where the sympathies of the Polish population lie and it may well be that to have allowed the visit to take place is viewed by many in Moscow as constituting an error serious enough to raise a question mark over Jaruzelski's future. Above all, the Jaruzelski régime appears to have no persuasive conception of the shape of Poland's future and has not been able to put forward any proposal which might create sufficient common ground between rulers and ruled for a minimum of stability. On the other hand, the situation in Poland under Jaruzelski is far more favourable from the Soviet point of view than any of the alternatives. Given Moscow's general reluctance to innovate, the chances are that the leadership will opt to live with the existing semi-satisfactory state of affairs until a major crisis necessitates closer control.

Hungary still appears to be a bright spot, despite some evidence of political decay, four years of zero growth and virtual bankruptcy in 1982. Under Kádár, the Hungarian party has some latitude in the running of the economy and agriculture. The current discussion on political reform is the first officially sponsored debate on the future shape of politics in any Warsaw Pact country since Czechoslovakia 1968. Whether any of the proposals will be implemented in a real (as distinct from a cosmetic) fashion is still open, but evidently there is a strong section within the party that would like to make a break with the patterns established in the 1960s and 1970s. The Soviet Union has watched Hungarian developments with apparent interest and some illusions (see section 3 in this paper and Paper II) and could well be using Hungary as a test bed for new ideas.

Three years after Tito's death, Yugoslavia has entered an era of unprecedented political and economic disarray. Neither political nor economic institutions seem capable of coping: reform in both spheres is now under serious consideration, though it is invariably difficult to separate the rhetoric of change from reality in Yugoslavia. In Soviet eyes, Yugoslavia has always belonged rightfully to the Soviet sphere of power; the Soviet Union has never abandoned its long term aim of reincorporating its erstwhile ally, as shown by

Soviet machinations in the 1970s and very close economic ties with the less-developed Yugoslav republics. Since 1979 the Soviet Union has been so preoccupied with other problems such as Afghanistan, Poland, and the United States as to allow the Yugoslav leadership a relatively easy ride, which, nevertheless, it should not assume will last for ever. It is also assumed that the West has an interest in keeping the Soviet Union at least out of the Adriatic and overall in preventing Soviet control of Yugoslavia; it is extremely uncertain whether the Soviet Union recognises this or not.

3. The Soviet relationship

There is a great deal to bear out the suggestion that the day-to-day Soviet objective in Eastern Europe is stability. In periods of direct challenge to the Soviet 'norm' (Czechoslovakia 1968, Hungary 1956, Poland 1980-81), however, the overriding Soviet aim becomes the restoration of 'normality'. In practice, this tends to mean - and was particularly so in the late Brezhnev years - that the East European elites are left alone to run their own affairs (e.g. Gierek in Poland in the late 1970s) within the broad constraints of 'stability' and 'normality'. It is perhaps too early to judge how Andropov differs from his predecessor, but there is more than a hint to suggest that he favours a stricter interpretation of 'normality' and greater discipline; if he proves to favour 'normality' over 'stability', this may impose costs on stability. At the same time, because the Soviet system suffers from problems of bureaucratic overload, lethargy, inertia and overlapping, efforts to effect changes in Eastern Europe outside periods of crisis may well run into the sand.

As against all this, the very long term aim of the Soviet elite is the eventual (50-100 years?) Sovietisation of Eastern Europe, i.e. the entranching of Soviet Russian values in Eastern Europe and the extirpation of local values. Ideological and educational integration with Soviet institutions and practices has already been pursued for about a decade, albeit with very marginal results to date.

Others in the USSR may prefer the diffusion of ideas from Eastern Europe to the Soviet Union. Hungarian agriculture has been a popular candidate in this respect. Transfers of political and economic technologies from Eastern Europe have their proponents in the Soviet Union as well. This proposition deserves stricter scrutiny that it

has had. On closer examination, it is hard to see how the institutions and ideas developed in one East European country can be readily transferred to the Soviet Union, given that they are anchored in the inherited traditions and patterns of that country. Thus Hungarian agriculture is successful not merely because of the relative autonomy of collectives and the role of the private plot, but also because of the particular skills of the Hungarian peasantry, the existence of an influential agrarian lobby and the existence of an intellectual current (the populists) ready to do battle for the peasantry. None of these is strong in the Soviet Union, so that the likelihood is that greater emphasis on the private plot will be sabotaged by those whose bureaucratic interests are threatened by greater peasant autonomy. In general, the belief that the 'advanced' ideas and methods of the West can be taken over wholesale has a long history in Russia, but it has been successful only in a few spheres, such as military technology for which there are very special reasons. This suggests that any innovation in the system from Hungary or elsewhere in Eastern Europe will have only a limited impact on the Soviet Union.