



10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

11 February 1987

SEMINAR ON THE SOVIET UNION

I attach a copy of Dr. Peter Frank's paper for the Prime Minister's seminar on the Soviet Union. I should be grateful if you would arrange for copies to be distributed to the FCO participants.

I also enclose letters and copies of the documents for Professor Bialer and Mr. Conquest. I should be grateful if you could ask Peter Rickett in Washington to pass them on.

CHARLES POWELL

Lyn Parker, Esq.,  
Foreign and Commonwealth Office.

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10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

11 February 1987

The Prime Minister was very pleased to hear that you are able to attend the seminar on the Soviet Union at Chequers on 27 February. You will by now have heard from Mrs. Goodchild about the administrative arrangements.

I am enclosing with this letter:

- a paper prepared as background for our discussion by Dr. Peter Frank of Essex University. *- in briefing folder attached*
- a copy of Dr. Ronald Amann's recent Inaugural Lecture at the University of Birmingham, also circulated as background. *- in briefing folder attached*
- a list of questions which might be addressed at the meeting. This is not intended to be a binding agenda, but an indication of the ground which we hope to cover.
- a list of those expected to take part. ✓

I look forward very much to seeing you on 27 February.

CHARLES POWELL

Sent to Academic Participants

THE SOVIET SYSTEM UNDER GORBACHEV  
TERMINAL CASE, OR RIPE FOR REVIVAL?

1. General

- What are Soviet objectives internally and externally?

2. Political

- How much does it matter to the elite that the main elements of the present system (political, military, intellectual/doctrinal) should survive unchanged? Do they believe in it? Could it survive loss of faith? Is its survival a Soviet or Russian requirement?
- Alternatively, how much change; openness; "democratisation"; economic liberalisation can the system allow? Room for human rights? Market forces?
- Is proselytising and triumph of Communism worldwide still important? Has its importance increased or decreased?
- How far can the Russians be satisfied with improved security alone?

3. Economic

- Will Gorbachev secure major improvement in economic performance? Does he need to? Does he really want to? What are the obstacles - technical, political, intellectual, bureaucratic?
- Why have the Russians not so far been able to work out and implement appropriate policies for themselves? Are they likely to look to other systems for models (PRC; Hungary; GDR; Yugoslavia; the West)?

#### 4. The External Factor

- What has been the impact on Soviet policies of the US (Reagan) and Western Europe? How do they view Reagan and post-Reagan? How do they plan to influence political developments in Western Europe?

#### 5. The Gorbachev Factor

- How far have Soviet objectives changed under Gorbachev? How feasible are they? How far can he go without endangering his personal position?

#### 6. UK Role

- What policies should the UK adopt towards the Soviet Union? What role for the Prime Minister, and the EC/Twelve, in the next five years? What effect can we expect to have?
- Can we, or should we, do anything to promote the success of the process of economic improvement? If so how?
- How can we influence Gorbachev/the elite/the Soviet people? Does influencing the people matter when they have no voice?

SEMINAR ON THE SOVIET UNION: PARTICIPANTS

Academic

Dr. Ronald Amann  
Professor Seweryn Bialer  
Mr. Archie Brown  
Mr. Robert Conquest  
Mr. C.N. Donnelly  
Dr. Peter Frank  
Professor Sir Michael Howard  
Lord Thomas of Swynnerton

Government

The Prime Minister  
The Foreign Secretary  
Sir Percy Cradock  
Sir Bryan Cartledge  
Mr. David Ratford  
Mr. Charles Powell  
Dr. Michael Nicholson



Foreign and Commonwealth Office

London SW1A 2AH

10 February 1987

*ccle*

*CDP 1012*

*Dear Charles,*

Seminar on the Soviet Union

*FILE WITH CDP*

You wrote on 3 February enclosing a copy of Professor Amann's inaugural lecture. We would see no objection at all to your slipping this in when you circulate Peter Frank's paper.

Michael Llewellyn Smith has spoken to Frank, who will be sending his paper by express mail to you and to Soviet Department today. He is then off to Moscow for five days.

*Yours ever,*

*Lyn Parker*

(L Parker)  
Private Secretary

C D Powell Esq  
No 10 Downing St

SOVIET UNION

RELATIONS

PT 6

UNITED STATES DEPARTMENT OF STATE  
OFFICE OF THE ASSISTANT SECRETARY FOR  
EASTERN AFFAIRS





10 DOWNING STREET

LONDON SW1A 2AA

ack/ 3 February, 1987.

*From the Private Secretary*

SEMINAR ON THE SOVIET UNION

I enclose a copy of a letter from Dr. Amann, who is attending the Prime Minister's seminar on 27 February, together with a copy of his Inaugural Lecture. He suggests that this should be circulated to the participants in the seminar.

Clearly we must not detract from the paper which we have commissioned from Mr. Peter Frank of Essex University. But when we come to circulate that, I would propose to slip in the Amann paper too as background, unless the Department see any objection.

C.D. Powell

Lyn Parker, Esq.,  
Foreign and Commonwealth Office.

SRW



3 February 1987

Thank you for your letter and for sending me your Inaugural Lecture. It's good stuff and I will arrange for it to go round to the participants in due course, together with a paper which we have asked Peter Frank of Essex to write.

I am so glad that you came to the seminar.

(CHARLES POWELL)

Professeo Ronald Amman



# The University of Birmingham

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CONFIDENTIAL

Mr Charles Powell  
10 Downing Street  
LONDON SW1

Dear Charles

I have been thinking further about the meeting at Chequers on 27 February. I understand that you do not require me to write a special paper and fully sympathize with your desire to keep the supporting paperwork to a minimum. However, events in the Soviet Union are now unfolding with such astonishing speed that I do feel inspired to submit a previously written paper for consideration. We could well be at a major turning point in Soviet history.

The enclosed paper is a transcript of my Inaugural Lecture, which was delivered in early December but was actually drafted in October. It might be considered important and relevant to our discussion for two reasons: (a) it predicts and attempts to explain the phenomenon of political reform (b) it places political reform within a broader analytical framework. Several academic colleagues who have already received transcripts of my lecture have begun to refer to some of the ideas contained in it. It might be useful, therefore, for other participants at the Chequers meeting to be aware of what these arguments are and what evidence they are based on. I should point out that, in order to retain the attention of the audience, Inaugural Lectures tend to be very bold and provocative statements. If I were writing a 'customized' paper for this occasion it would be more guarded. But perhaps present circumstances are such that some of these concepts need to be presented in a sharp way. You are obviously the best judge of that.

Yours sincerely

Professor R Amann

enc.

THE EMPIRE STRIKES BACK

(The Interplay of Economic and Political Change in the Soviet Union)

An Inaugural Lecture delivered by Professor Ronald Amann at the  
University of Birmingham, 9 December 1986.

THE EMPIRE STRIKES BACKThe Interplay of Economic and Political Change in the Soviet Union

I have known for some time the ground I intended to cover in this Inaugural Lecture and the central argument I wished to advance. The difficulty was what to call it and when to hold it. Since the title of my chair obliges me to engage in sweeping generalisations about contemporary political issues and, as we all know, the USSR is passing through a period of rapid and unpredictable change, the title of the lecture and its timing became matters of delicate judgement. Would it be wise to go for a 'snap' Inaugural before the publication of the revised version of the Party Programme (1) (in October 1985)? Ought one to wait for the new policy directives to be announced at the 27th Congress of the Communist Party (in February 1986)? Dare one say anything too definite about the contemporary political scene before the changes in leading personnel, accelerated by Gorbachev's accession to power, had worked their way more fully through the system and a new pattern of leadership had begun to establish itself? No doubt, instantaneous falsification advances the development of science but it reflects badly upon the reputation of new professors. In the end, I resolved to take courage in both hands and to settle on a high risk date in December which would coincide with an anticipated summit meeting between Mr Gorbachev and President Reagan. The precise timing of events did not work out quite as I had hoped (or feared) but the new light in which the Soviet Union revealed itself at Reykjavik turned out to be consistent with the thrust of my analysis. You must now decide whether you find these arguments persuasive.

Pro-Vice-Chancellor, you will have deduced from these introductory remarks - perhaps with some relief - that the title 'The Empire Strikes Back' does not refer directly to the position of CREES in the University (though I would be neglecting the tools of my trade and disappointing my colleagues if I failed to include a few choice passages which could be interpreted in more than one way). Nor am I especially concerned with the Strategic Defence Initiative - Star Wars. My main theme is the interplay of economic and political change in the Soviet Union today. The 'empire' is very different from that which is often portrayed in the West. Its primary struggle is against its own backwardness, and the domestic consequences of external pressures. It is an 'Empire of Inertia' rather than an 'Empire of Evil'. My central argument in this lecture is that we have misunderstood and are misunderstanding its essential dynamics.

## I

When did this misunderstanding begin?

It goes without saying that understanding the Soviet Union has always presented special difficulties and specialists have always disagreed about the underlying character of the country. But for the purposes of my argument we need to turn the clock back to those resource-rich days of the 1960s when droves of undergraduate students sat at the feet of sociological theorists (at Birmingham University - literally!). An important topic of debate at that time was the extent to which different social systems shared common features, due to their exposure to the universal forces of advanced industrial development; and how far they might converge as a result of this inexorable "logic of

industrialism". The convergence theorists hypothesized that in Western market economies the scale of expenditures necessary to finance advanced technologies would require much more national planning and a closer relationship between large corporations and the state. At the same time, the greater role of technical specialists and dependence upon esoteric knowledge would modify the character of traditional representative democracy. In state socialist societies such as the Soviet Union, on the other hand, the emergence of a new breed of technocrats would mark the first steps in the direction of political liberalisation. Owing to the fact that the development of advanced technologies depends more upon individual creativity than on collectivist discipline, it seemed reasonable to anticipate a substantial de-centralisation of the traditional planning mechanism and, thus, a less prominent role for the central political elite in economic management. The general theoretical basis for this view was sketched out by the American sociologist Clark Kerr and his colleagues in 1960.<sup>(2)</sup> Jan Tinbergen contributed an influential article on its relevance to Soviet economic organisation.<sup>(3)</sup> By the end of the decade one could turn to excellent collections of scholarly articles, critically evaluating the possible social and political impact of these technocratic factors on the future pattern of Soviet development.<sup>(4)</sup>

Earlier, during the first post-war decade, the eminent American historian, Barrington Moore, had written a brilliant book entitled, Terror and Progress: USSR.<sup>(5)</sup> He viewed future Soviet development as an interplay between three variables: 'power' (the need of the political elite to retain control), 'tradition'

(security of official tenure and privilege) and 'rationality' (the need of the system to adapt to technical change). This conceptual view set the agenda for a whole generation of Soviet specialists and, arguably, has never been improved upon. But what of the balance between these variables? The 'modernization school' of the 1960s argued strongly that 'rationality' had become a more important factor than the crude maintenance of 'power'. They challenged the orthodox view - which drew its inspiration from the most unpleasant features of the Stalin period - that the Soviet political system could best be viewed as a totalitarian monolith. A subterranean battle thus began for the hearts and minds of the Sovietological profession throughout the world, as one paradigm collided with the other. The battle was inconclusive, with significant consequences for our understanding of the USSR and the general public's perception of it.

On political and sociological grounds, the most perceptive critics of the 'convergence' or 'modernization' approaches undoubtedly had some strong points in their favour. They argued that the linkage between economic and political factors was excessively deterministic: that the proponents of the modernization thesis were, firstly, naive in assuming that Soviet leaders were 'rational actors' who would respond to the objective need for change and, secondly, insular in insisting that 'modernization' in the USSR must necessarily follow a Western pattern. Goldthorpe got to the heart of the matter when he argued:

The crucial point, . . . , at which the rationale breaks down is in the supposition that industrialism and totalitarianism cannot 'in the long run' coexist: that is in the idea that with

industrial advance, a progressive diffusion of political power must necessarily occur.(6)

The loss of momentum of the 1965 Soviet economic reform and the crushing of the Prague Spring in August 1968(7) appeared to give convincingly empirical support to these criticisms. Thus, although the modernization approach played a positive role in opening up the field of Soviet studies to Western social science concepts and pointed to important new areas of empirical enquiry, it never succeeded in generating a coalition of support necessary to sustain a new paradigm. Liberal social scientists were ambivalent, feeling that the approach was, in many respects, 'culture-bound'; adherents of the traditional left retained their faith in the possibility of progressive change within essentially the same institutional framework, while those on the right never departed from their firm belief in the social and political immobility of communist regimes.

Yet these circumspect criticisms of methodology left very significant aspects of reality unexplained. Economic forces in communist regimes were allegedly subordinated to something called "purposive political action"(8) But what were those purposes? Without a clear paradigm commitment it was impossible for researchers and teachers to formulate a satisfactory explanation of the function of political power in the USSR: why prospective leaders sought it and for what ends they used it? Totalitarian theorists, of course, were content with the notion of power for its own sake - but this notion was superficial, ultimately tautologous and it became increasingly inconsistent with the evident efforts of Soviet leaders to push through much needed and far-reaching reforms.



There is, however, a further and even more important side to this issue, which also remained unresolved. This lay in the precise character and strength of the economic pressures to which the Soviet regime was exposed. These were underestimated. Western observers of communist regimes commonly supposed that with a display of political will, political elites could somehow hold at bay the implications of the system's economic shortcomings. No doubt there would be periodic crises, as in Czechoslovakia and Poland, but organised opposition would be crushed and the more radical reform ideas would be suppressed. In some emigre writings, this assumption of a demonic elite, virtually impervious to socio-economic pressures, rests upon a supernatural concept of power which is very different from our own. Alexander Zinoviev and Harold Lasswell<sup>(9)</sup> typify the two extremes: in the case of the former, the power of the state is something overwhelming and enveloping which the individual is compelled to submit to whereas in the latter case, power is a commodity to be coolly measured, lost and gained. The former approach is held with passionate intensity by victims of the Soviet regime; the latter approach squares more with the outlook of political scientists and the governments of competitor nations, who are more keenly aware of the fragility of state power - their own, as well as that of others.

In the mainstream of Western economic writings until recently it was widely assumed, on pragmatic grounds, that the Soviet regime would be able to maintain itself in power by a mixture of 'muddling through' and 'riding out' periodic economic difficulties. These notions misrepresent the character of the

economic pressures which the Soviet Union is exposed to. They are based on inappropriate analogies. 'Muddling through', 'keeping one's nerve' and 'riding out the storm' are appropriate governmental responses to cyclical crises in Western systems, where business confidence is a crucial variable. But the Soviet crisis is not a crisis of confidence but a crisis of structures. This is why radical currents of economic and political reform do not evaporate; they are temporarily dammed up but return inevitably with renewed force. Eventually, deterioration in economic performance becomes so pronounced that the top leadership is compelled to contemplate radical measures.

Underestimation of the character and depth of economic pressures was paralleled by misconceptions among Western political scientists about the nature of Brezhnev's leadership. At first, Brezhnev was seen as a more astute and realistic leader than his predecessor Khrushchev; but later, it came to be recognized that the political stability of the Brezhnev era had been secured at the expense of much needed change. In circumstances of hastening economic decline, the corporatist trade-off between different major interest groups began to unravel. Thus, by the early 1980s Brezhnev's successors announced that, "We have now reached an historical watershed in our social development where deep qualitative changes in productive forces and a corresponding improvement in the relations of production have become not only timely but inevitable."<sup>(10)</sup> In short, the 'logic of industrialism' was re-asserting itself.

It must now be clear where this argument is leading. Since most of the academic specialists studying the Soviet Union hovered

uncertainly between competing paradigms - and they communicated that ambivalence in their writings - it is not surprising that the popular view of the Soviet system as a totalitarian one remained largely unmodified. This had a number of important effects on public perceptions. Evidence of internal change was played down or re-interpreted as a secondary feature of totalitarianism while evidence of corruption and human rights violations strengthened and extended the concept. The Soviet Union was seen paradoxically as a military super-power increasingly prone to economic difficulties, though the most plausible policy response to this disparity was not always predicted: the pressing need for internal reform and an accommodation with the West, which would provide the necessary breathing space for fundamental reforms to be introduced. Instead, precedence was given to the external threat which the USSR apparently presented rather than to its internal struggles. To square the circle it was asserted that the USSR might be stung by economic weakness into dangerous acts of external aggression. Western countries were warned by such luminaries as Alexander Solzhenytsin to be on their guard against the "mortal danger" that threatened them.(11) In an extreme case, it was even argued that the Prague Spring and the Sino-Soviet split were deliberately orchestrated by the KGB in order to give the impression that the communist world was disunited, thus lulling the West into a false sense of security.(12) These fears, in their most extreme form, have not gained much of a foothold in the West but there has undoubtedly been a widespread tendency to underplay and sometimes misrepresent the significance of Soviet reforms and diplomatic initiatives. One of the consequences of

paradigm uncertainty is the constant fear that some deeper truth might have eluded one. Western scholars have been duped too often in the past. It is prudent, therefore, to slip into a defensive vocabulary when discussing Soviet affairs in order to deflect any possible charge of naivete; that is why the Soviet Union is always seen to win propoganda points and never arguments, why it launches peace offensives rather than diplomatic initiatives, why it is seen to be driving a wedge between the Western allies rather than extending its range of diplomatic contacts and why its new leader can best be regarded as a dangerously persuasive salesman(13) rather than a great communicator.

Paradigm uncertainty thus gives rise to a pervasive mood of scepticism, underplaying progressive changes in Soviet institutions and policies until they become so manifest that they can no longer be ignored. That stage may now have been reached. We must naturally subject these new developments to careful scrutiny and by no means neglect those morally reprehensible features of Soviet political life which unfortunately still exist. The exact context and boundaries of these changes need to be established. But some conceptual adjustment is required. Otherwise we may find ourselves in a state of incomprehension masquerading as sophistication. One is reminded of a certain US Senator, described by Lord Keynes, who kept his ear so close to the ground that he could no longer hear the voice of an upright man.

We now arrive at several key links in the chain of argument, which time does not permit me to deal with in detail. For the most part, they will simply have to be noted. They concern such matters as the marked deterioration of Soviet economic performance over the last decade, the relative technological backwardness of the country, the implications of this backwardness for the achievement of major social and political objectives and the underlying systemic factors which explain this unsatisfactory performance. Members of CREES, both historians and contemporary specialists, have made a vital contribution to our understanding of these issues and I pay tribute to their work in this lecture; it is an impressive collective endeavour from which I for one have benefitted greatly. In particular, I would pick out the creative influence on all of us of Professor R W Davies, whose Inaugural Lecture on Science and the Soviet Economy<sup>(14)</sup>, delivered almost twenty years ago in January 1967 is still fresh and relevant today.

This body of detailed empirical work enables us to understand why it is that the Soviet Union has now reached a crucial phase of its historical development where fundamental institutional changes in the centrally planned economy can no longer be avoided. Perhaps I may be allowed to illustrate this point with an anecdote.

Several years ago, during the course of a holiday in Scotland, some friends of ours visited the remote island of Iona. Iona is approached initially by boat from Oban to Mull; one must then journey along a winding single-track road to the other side

of the island from whence a ramshackle and infrequent passenger ferry operates between Mull and Iona. Having disembarked and walked to the far end of Iona our friends observed in the distance what appeared to be two large packing cases on the beach but which, on closer inspection, turned out to be a makeshift post office. On the seaward side of the building was a large new poster which read, "Beware - the television detector vans are in your area!". The significance of this to a student of the Soviet economy was immediately apparent. It was yet another instance of the triumph of central doctrine over local diversity.

The omniscience of the planner, his moral superiority and political vision, are, of course, the most fundamental assumptions which lie behind a central planning system and they have a number of practical consequences as an economy moves from an early stage of development to a more complex one. Firstly, more and more administrative controls are necessary in order to bolster the self confidence of the political elite and sustain the illusion that they are actually in charge of events: such devices include elaborate forms of data collection, huge spreadsheets of material balances, grandiose forecasts and so forth. As the Italian social theorist Vilfredo Pareto once reminded us, a mastery of the non-rational is an indispensable prop to the confident exercise of political power.<sup>(15)</sup> Secondly, fearing insubordination and backsliding at the lower levels (though not necessarily with any objective foundation), the elite adopts a tougher managerial stance, imposing a succession of even more elaborate success indicators and strenuous evaluations of staff performance. Nobody really believes in these devices but they pretend that they do in

order to ingratiate themselves with the providers of central funds. Finally, ignoring their own common sense and conscience, individuals throughout the economic system set about fulfilling planned targets in a calculating and formalistic manner, which invariably runs counter to any sensible conception of the overall national interest. Such an administrative order, founded on a desperate need to be seen to be in control, is inimical to creativity and technological change. The more rapid the pace of change, the more cruelly the pretence is exposed, until a collegial and more responsive form of rule must be introduced, which demands a fundamental shift in the relationship between centre and periphery. It is here that the roots of Soviet technological backwardness and declining economic performance are to be found, though these phenomena can be observed in a variety of institutional contexts.

There is, however, an ultimate stage of bureaucratisation which not all institutions and very few social systems ever fully reach. This comes about when administrative arrangements, which were appropriate for a particular set of socio-economic circumstances, - in the Soviet case, its industrialisation drive of the 1930s - become thoroughly fossilised. Established 'rules of the game', however irrational they may have become according to external criteria, in time produce their own winners and losers; they become enmeshed with cherished political principles and are emotionally charged with nostalgia. Thus, the sources of resistance to institutional change in the Soviet Union are extremely powerful and complex. They range far beyond the vested interests of leading party apparatchiki and the military, who are concerned about their loss of power and resources.

Vera Dunham has pointed to a significant relationship which began to unfold during the immediate post-war period between Soviet political leaders and the broad mass of minor officialdom. Drawn together initially by a mutual concern for order, social respectability, and desire for legitimate reward, members of the top elite were more than willing to extend economic privileges and job security to a growing stratum of bureaucrats in order, thereby, to secure a reliable power base for themselves. This so-called "big-deal" has given rise to career expectations and life styles among officials and managers (the nomenklatura) which are difficult to modify. A radical economic reform which is intended to reward the entrepreneurial effort of individuals rather than to give financial recognition to political loyalty and formal official status, irrespective of performance, would strike at the very roots of the system of social stratification.(16) Moreover, deep self interest is reinforced by genuine misgivings about fundamental change. Many among the older generation of Soviet managers remember the heroic deeds of wartime and still believe that this Soviet version of the 'Dunkirk spirit' could find a place under modern economic conditions.(17) The more politically aware are troubled by the prospect of a reform along market socialist lines in which many of the typical problems of capitalism - inflation, unemployment and regional neglect - could surface within a framework of socialist ownership.(18) Though some reform-minded specialists(19) have argued that socialist property relationships have now become so internalised that the political dangers of a radical reform within an established mode of production are remote, others are less sure; they echo the



fears of Engels in Anti-Duhring (20) about the creeping danger of 'commodity production' in socialist communities; they foresee a weakening in the ability and commitment of the political leadership to protect the overall 'social interest' - in their view, a central objective of state socialism.

Soviet leaders are therefore hesitant to introduce radical economic and political reforms but their hesitation should not be seen, crudely, as the protection of their own vested interests at any cost. One can discern a variety of motives. The desire to protect the ultimate institutional power of the party is certainly one of them. But genuine misgivings about the practicality and socio-economic side effects of a major reform and wariness of widespread official resistance to it are also clearly apparent. Indeed, Hungarian economic specialists who have already experienced the ebb and flow of radical change in the context of their own 'New Economic Mechanism' are familiar with "the reform paradox". This term refers to a Catch-22 situation: the decision to reform will not be taken until deteriorating economic circumstances compel it but at this point these same economic conditions preclude implementation. Without a bold political initiative from the top, the net result is continuing paralysis. There comes a point, therefore, at which decisive leadership becomes essential. After decades of dithering the Soviet Union has reached this point.

The whirlpool of economic forces and political interests, (21) which I have described, makes it extremely perplexing to interpret the actual reform package, so far introduced under Gorbachev's leadership. It is at this moment in the lecture, more than any

other, when one yearns for postponement until a clearer pattern of events has emerged. But we must press on.

### III

I am going to sketch out a risky and novel line of argument, (22) which I may well have cause to regret in months to come. It concerns, once again, the manner in which we conceptualise political and economic change in the Soviet Union. Whereas in the early part of my lecture I identified a form of paradigm uncertainty, which has led us to underestimate the prospect of basic reforms, I now want to examine another established form of conceptual thinking, which may lead us to misunderstand the sequence of reforms once they begin to be introduced.

Western social scientists, studying the Soviet Union and Eastern Europe, have invariably assumed that political reforms would be much more controversial than economic reforms and would only take place, if at all, at a later stage of development. (23) The predominant causal relationship, therefore, is specified as one in which the aggregation of economic changes gives rise to a step by step evolution of the political system. Marketisation and greater institutional autonomy lead eventually to a freer and more confident expression of interests, since the state no longer controls all resources. The greater need for specialist knowledge, relative to simple political loyalty, changes the balance of power between the political elite and emerging groups of influential technocrats. Ideology loses its original utopian vision and gradually becomes 'secularized' and pragmatic. This is the general thrust of the argument. (24)

Within this conceptual framework, it is natural to select the scale of economic reform as the litmus test by which one judges the extent of institutional change, more generally. According to this criterion, the present package of reforms in the USSR could only come as a disappointment to the outside observer. Despite tantalising hints from some Soviet specialists, those reforms have not yet been applied to key features of the traditional planning mechanism such as centrally fixed prices and centrally administered supplies. Some greater flexibility has undoubtedly been introduced into the economic system at the lower levels and a larger measure of private enterprise has been permitted, especially in the service sector, but in terms of the labels used in a recent article by my colleague Philip Hanson, the 'rationalisers' would seem for the moment to have triumphed over the 'marketeters'. (25)

There is another way of looking at these developments. If we are correct in supposing that Gorbachev and his supporters face widespread resistance from the middle levels of the Soviet bureaucracy, it is clear that this powerful obstacle to change will have to be overcome before real progress can be made. This raises the intriguing question of whether political reform is a prerequisite for the full introduction of an economic reform. In other words, the conventional relationship between economic and political change in communist systems may have been specified incorrectly.

There is strong evidence that the Soviet Union is now passing through a crucial phase of political mobilisation. The need for greater discipline, expressed in the anti-alcohol campaign and in

the public exposure of corrupt officials, is one obvious aspect of this; so, too, is the rapid turnover of leading personnel in the party and state apparatus. In the first 12 months since Gorbachev took power the complexion and age profile of the politburo changed considerably, with eight new appointments, two promotions from candidate status and five departures; 39 of the 101 members of the Council of Ministers are gone; 14 of the 23 heads of departments in the central party apparatus have been replaced.(26) If successful, these measures would undoubtedly energize the political system. My main argument, however, is that they should not be seen as an alternative to a deep institutional reform but, rather, as the first phase of an overall strategy for achieving such a reform.

As far as we can at present discern it, Gorbachev's general strategy is aimed at building up a coalition of support for fundamental changes at all levels of society. It is significant, for example, that Soviet social scientists have begun to define and classify the main formal and informal interest groups in the state apparatus;(27) this is a barely disguised attempt to describe the battlefield on which the conflict between pro and anti reform forces is being fought. Recent speeches made by Gorbachev, especially during his tour of the Soviet Far East, are very much those of a campaigning leader, under pressure from his opponents, trying to expand his power base and to generate political momentum. The concept of the reform process which is now emerging is different from one which restricts itself to increased economic incentives for managers and officials. What is demanded is not merely the selective introduction of new

technologies and work practices by a few model institutions but their adoption on a mass scale; the primary focus has moved from introduction (vnedrenie) to diffusion (raspredelenie); it involves changes in mass attitudes and in the character of participation. Indeed, the key Russian term "reconstruction" (perestroika) applies both to organisational structures and to individual consciousness.

The development of the political dimension is essential for at least two other reasons. Firstly, it provides an alternative source of political legitimation during a difficult transition period, when consumerist aspirations must be restrained in order to permit investment in high-technology industries. Secondly, an economic reform involving administrative decentralisation can not be sustained unless there is a corresponding political reform; otherwise, as Hungarian experience shows, managers who come under pressure from market forces call upon their old political contacts in the central apparatus to bail them out of their difficulties. No psychological reorientation is allowed to occur and centralised economic management becomes re-established through the back door.

In the long term, forms of popular mobilisation, sufficiently powerful to secure and sustain the introduction of major economic reforms, could transform the basic character of political relationships in the Soviet Union. There are already clear hints that an important discussion is underway on the role of group interests in Soviet society. Following Andropov's lead, (and, one might add, that of Adam Smith) self interest is seen increasingly by many reformist writers as a respectable dynamic force: to ignore it is to squander an important source of energy; to

suppress it is to allow dangerous political contradictions<sup>(29)</sup> to fester beneath the surface, which could lead, as they have in other East European countries, to political explosions. The freer interplay of interests, of course, entails greater openness of discussion (glasnost') - already in evidence in the Soviet press - and a greater willingness on the part of political leaders to integrate different interests rather than to impose their own notion of what is in the general interest. One of the defining features of any political community is the relationship between different kinds of interests and the institutional mechanisms for reconciling them. In the Soviet Union today, this balance appears to be in the process of negotiation. Potentially, these changes in the relationship between officially encouraged activity (deyatel'nost') and spontaneous behaviour (povedenie) are very far-reaching. As one leading Soviet reformer has put it, quoting Hegel, "A state where everybody from top to bottom is regimented and where everything of any substance is removed from the competence and activity of concerned sections of the population...gradually becomes tedious and devoid of spiritual meaning".<sup>(30)</sup> It is in this sense that political reform may be a prerequisite or accompaniment to an economic reform and not a long term consequence of it.

Interesting signs of political change are therefore in evidence in the USSR, instilling new confidence into longstanding advocates of the 'modernization' perspective such as myself. It is important, however, to define our expectations clearly, in order to avoid exaggeration and future misunderstanding. The Soviet Union is not moving inexorably towards full parliamentary

democracy, a multi-party system, a free market economy, the official encouragement of religious belief or full-hearted acceptance of the concept of natural rights. There are important cultural and philosophical impediments to such radical breaks with tradition. Convergence between different social systems may be possible - even probable - but submergence is unlikely.

Nevertheless, if existing political institutions were to operate in practice, as the Soviet Constitution suggests they do in principle, this would represent an enormous democratic advance, and it could be achieved without necessarily threatening the "ultimate" power of the party as the final arbiter of the social interest. It is not so much the political framework which needs to change but the way its constituent institutions actually function within it. The great danger, of course, is that greater democracy will be conceived of by party leaders in manipulative terms, as an improvement of information, and will not, therefore, mark a fundamental shift in the exchange relationship between state and society. At most, such a development would amount to "invigoration without innovation"<sup>(32)</sup> - little more than an elaborate confidence trick. This is the other, more pessimistic, side of the argument.

While it is important not to overestimate the kinds of political and social changes which might occur in the Soviet Union in the next few years it is equally important not to underestimate them, by tying expectations to impossible fundamentals. One is reminded here of slippery arguments sometimes deployed to demonstrate the unchanging nature of Western capitalism. From a preconceived ideological standpoint, seemingly substantial changes

can be presented as policies designed to strengthen the underlying system: social security can be seen as a grudging concession to maintain stability, increased educational opportunity promotes efficiency, free medical services improve labour productivity, charitable feelings become expressions of bad conscience and the principal role of reformist politicians is to blunt and deflect demands for revolutionary change. Yet, at another level, we are acutely aware that significant shifts of power and policies can occur within a given mode of production, which transform immeasurably the actual lives of people - in one direction or another. These changes are very real to those who experience them. The broad theoretical category is arid but the reality within it is rich. When studying the Soviet Union, therefore, we must be careful not to define change in such a way that it can never occur.

#### IV

Inaugural lectures are a special kind of ordeal. In attempting to stimulate general interest, the triumphant victim is obliged to explain, in fairly stark terms, how he thinks about evidence in his field. He is not allowed merely to summarize available facts. This is a dangerous task. In the field of Soviet politics today, one would perhaps be wiser to keep such ambitious thoughts to oneself. Evidence is patchy and the ground is constantly shifting. On the other hand, the field of study is becoming much more interesting. No longer do Sovietologists emerge from their ivory towers only to provide murmured biographical details on television news broadcasts, as a succession of aged leaders is laid to rest in the Kremlin Wall.



That phase is ending. We are now called upon to interpret the new pattern of events which has been occasioned by the departure of this generation of leaders.

I am not at all confident - Pro-Vice-Chancellor - that my own interpretation of the early Gorbachev era is the correct one but I am convinced that such an attempt needs to be made. Many of us feel in our bones that the next year or so represents a crucial watershed in Soviet political and economic development. There is little that we in the West can do to promote these changes, even if we wished to, but probably a great deal that we could do to prevent them. Some noted specialists such as Professor Richard Pipes have argued that the Soviet system will only change in response to internal crisis.<sup>(33)</sup> The policy implications of such a view are that by depriving the Soviet Union of advanced Western technology and by compelling huge additional expenditures on advanced weapons systems, existing economic difficulties will be intensified and brought to crisis point. I disagree with this analysis and the policy conclusions which appear to flow from it. It seems much more plausible to me that external pressures of this kind would only strengthen traditional central controls and would inhibit reform. Only in this way could the Soviet government enforce sacrifices and mobilise the necessary resources. Lurking behind this discussion, of course, is a huge value judgement. Is a more efficient and democratic Soviet Union necessarily in the interest of Western countries? Would the new kinds of leaders, capable of directing such a reformed system, be more or less congenial to deal with? We each have our own answer to these questions.

The intractability of reform and the need for early success places Gorbachev in a position which can be readily comprehended in footballing terms. In my younger days - which came abruptly to an end when I became Director of CREES - I had the misfortune to support Newcastle United. The club had something in common with the Soviet Union. It was rich in natural resources, had enjoyed a stirring decade under a ruthless and charismatic chairman and still had enormous pretensions; but team restructuring was undertaken by a succession of indifferent managers, each one of whom was welcomed initially as a messiah. The atmosphere of the club and of its ground was steeped in faded glory. The desire for "equivalence of esteem" (as Professor Vernon Aspaturian would have put it) with the leading clubs was palpable. I well remember standing on those windswept terraces for the first game, as each new manager began his short reign. One was struck by the design of the new strips, one appreciated the increased work-rate of the team, but how one longed for the ball to hit the back of the net. Only then, would performance and support begin to reinforce each other - the foundation of any successful institution, whether it be a football club or a nation. One gets a strong sense that the Soviet people are waiting - and the occasional foot is beginning to stamp impatiently.

The current interplay of economic and political change in the Soviet Union is not merely of academic interest. It has far-reaching implications for our foreign and defence policies and for prospects of East-West trade. All of these areas of policy are contingent upon a certain view of the internal character of the Soviet regime and of the threat or challenge which it poses. The

cost of understanding this 'threat' is a minute fraction of the cost of responding to it - especially the cost of responding to a mistaken appreciation of it. Here, university specialists have a role to play. Their reviews of original sources, formulation of new concepts and their institutionalised license to challenge conventional wisdom, are vital ingredients in the policy-making process. A good working relationship between government and the academic community promotes the analytical vitality of a country, upon which its power and independence ultimately rest.

Regretably, in recent years there has been a decline in the resources going to Soviet and East European Studies in Britain, as a report by the House of Commons Foreign Affairs Committee has noted.<sup>(34)</sup> Academic posts have been disestablished. In order to maximise student credits, specialists have been obliged to return to their basic disciplines and to spend less time on research. Several distinguished scholars have taken up posts abroad. Britain is being stripped of some of its major academic assets, especially those individuals working in areas of direct governmental interest. But, the problem is not confined to the universities; the general tendency to erode minor but important specialisms applies to the education system as a whole. Out of a total Soviet school and university population of about 58 million, no fewer than 15 million at any one time are studying English; in 1984, there were 293 Advanced Level GCE passes in Russian and 109 first degree graduates in Russian in Great Britain.<sup>(35)</sup> The Foreign Affairs Committee discerned in these figures a "disturbing" disproportion. Beyond a certain point it becomes impossible to base academic decision-making on student demand

because the whole base of the subject has been undermined. The situation can only be remedied by firm government intervention and encouragement.

The need to understand the Soviet Union has never been greater. Once again the country is going through a period of change even more perplexing than that of the late 1950s, which inspired the creation of Hayter Centres such as CREES. For the 23 years since its foundation in 1963, the Centre has enjoyed the status of an extra-faculty organisation within the university. That status is now coming to an end - not without regret on our part but with acceptance and goodwill. We are returning to our original "home" in the Faculty of Commerce and Social Science. With appropriate support, this organisational change will not weaken but will rather strengthen our determination to uphold the traditions<sup>(36)</sup> and add to the achievements in contemporary Soviet Studies which have made Birmingham University famous throughout the world. Our 'Empire' is making a tactical retreat in good order - but it may fight another day!

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