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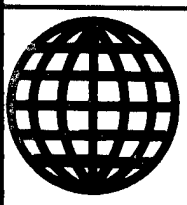

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No 7, July 1990

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World Economy & International Relations

No 7 July 1990

English Summary of Major Articles

904M0014A Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 90 pp 158-159 (signed to press 14 Jun 90)

[Text] I. Tyshetsky's article "The Problem of Security in International Relations" is devoted to those numerous questions to be answered in this sphere in spite of the fact that the process of restructuring the Soviet society has touched upon such an important field as the position of the Soviet Union and its military power. The author dwells upon traditional ideas of security including that one of Plato who considered that the state of security corresponded to "averting harms." The author shows that the problem of security in international relations could be considered at least in two interrelated but type 904m0014.adifferent dimensions: the security of an individual subject or a group of subjects of international relations, on the one hand, and the security of the functioning of the entire system of international relations, on the other. The author argues that the security of any nation could be ensured on the basis of comprehensive international security supported by the united world economic system based upon the international division of labor and by combined efforts of all participating states. But the author also shows that up to now there is no idea concerning the goals which should define the Soviet security policy and values and the interests that should be protected. At present, the main point is not only to think but to act in a new manner, not only to declare our aspirations for a participation in the international processes, and the process of internationalization in particular, but to join them as soon as possible because the irreversibility of perestroika in the USSR and the further democratization of the Soviet society is the only guarantee that the world would not be split. In this respect various ideas about the future of the mankind are being developed and tested even today, but in the second half of the 1980s the belief had emerged that the process of internationalization would not fade away and would be gaining its vigor.

S. Alexashenko in the article "Economic Reform: The Polish Way" makes an attempt to answer, how the economic situation in Poland is changing, what the results are and which problems remain unsolved, and if this way is acceptable for the Soviet economy.

The "Polish way" was, in author's opinion, determined both by common laws of development of "real socialism" and by the social and political specifics of the country. "Shock therapy" in Poland was possible because the Polish population is highly reliant on the government.

As to the situation in the USSR, there are many problems that do not exist in Poland, and on the other hand most of the conditions necessary for such way of action that exist in Poland, are not to be found in our country. While the Polish way is not to be copied in Soviet reforms, the experience of our neighbors should nevertheless be taken into account.

M. Kolchugina. "Education and Business." The article is dedicated to one of the most urgent problems of the on-going economic reform in the USSR. Due to radical changes in the productive forces and in the character of the labor force that are taking place in the developed states and due to societies' informatization processes there is the objective necessity of flexible adjustment of the whole system of education to the present-day conditions and of having adequately trained manpower for the advanced science-intensive industries. The author shows the ways of solving this problem at capitalist enterprises. She describes the corporation's new role as a university of lifelong learning. American corporations are making enormous contributions to the nation's schools and are participating in the education process. High-tech companies are engaging in unprecedented educational experiments that include contributing a computer to every classroom. Cooperation between schools, universities and corporations, in author's opinion, has never been stronger. She describes all kinds of new partnerships between business and the educational system. Particular attention is paid to the methods used to educate and motivate gifted students and to the forces that activate the of creativity motivation mekchanism in business.

Finally, the author shows great difficulties confronting the USSR in its educational reform.

These are the principal issues raised and examined in the article.

E. Popov. "TNC in Developing Countries: Cheap Labour and Laws of the Market." One of the main factors attracting transnational corporations to the third world's countries are low labor costs, comparing laborers' wages both in capitalist and developing countries and in different branches of developing countries' economics. Cheap labor is as a rule not profitable in the long term; yet the immediate connection between labor costs and profit is not so easy to observe. TNC, most probably, reckon also on the third dimension of "cheapness": the incongruity of costs which is profitable to them on the one hand, and high productivity and quality on the other.

Still the new highly effective methods in use in the developing regions are generating the new trends in TNCs' activities in the Third World and can be expected to bring about "normal" technical and economical proportions in the long run.

V. Zolotukhin and E. Zolotukhina-Abolina in their article "From Subject-Centrism' to System-Centrism,'" argue that the paradigm (scheme) of social thinking consolidated in the Soviet social sciences turned long ago into a set of dogmatic ideas that increasingly differ from reality as time goes by. The authors write that such a

situation results from the domination of the administrative bureaucratic system that needed not an objective picture of the world and a revelation of basic trends of social development, but an unrestrained apology of the "real" socialism and a "theoretical" substantiation of the coming "end" of capitalism. The authors see the basic vice of this scheme in the fact that it proceeds from a key opposition of the two systems as if constituting two self-isolated autarkic essentialities. Hence, there is a concentration of researchers—economists, sociologists and political scientists—on the facts which separate socialism and contemporary capitalism in every sphere of life. This is a certain kind of "subject-centrism." Meanwhile, as the authors emphasize, capitalism has experienced profound changes while accepting much which was considered to be inherent only in socialism. The economic, social and cultural development of the last decades led to a conversion of the mankind into the united whole subordinate to general laws of the functioning and evolution. The authors believe that to comprehend where this whole is going, we need a transition from the "subject-centrism" to "system-centrism" which allows us to see the world historic process as a united one and that leads all the countries and regions to a greater "socialization" and "humanization."

The Security Problem in International Relations

904M0014B Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 90 (signed to press 14 Jun 90) pp 5-16

[Article by Igor Timofeyevich Tyshetskiy, junior scientific associate, USSR Ministry of Foreign Affairs Diplomatic Academy]

[Text] The position of the Soviet state and its military power have always generated heightened interest in measures instituted by it in the realm of foreign security. The restructuring of Soviet society has also affected this important part of our life. Nevertheless many questions still remain unanswered.

There is still no clear picture of the kinds of goals that should determine Soviet security policy, of specific values and interests, of means, and of specifically who we are supposed to be protecting ourselves against. Finally, to what extent does the Soviet Union's idea of all-embracing international security correspond to the present stage of world development, what real forms can the system based on it take, and what might await us in the future?

In order to answer these and other questions, we must first analyze security in its various manifestations and the way in which the latter correlate to one another. There is probably no sense in trying to give a precise, uniform definition of such a multilevel concept as "security." Plato's view that the "prevention of harm"[1] corresponds to the state of security can be taken as the point of departure. Since security in international relations is closely connected with the category of "interests," it is discussed every time the latter are threatened.

Traditional Views of Security

It must be said from the outset that the security problem in international relations can be considered in at least two interconnected even if different measurements. First, there can be discussion of the security of one, separate subject of international relations or groups of subjects united by common interests or goals. In such a case, we are dealing with a state of group of states as a certain part of an existing whole. Second, security can be viewed with respect to the whole as the security of functioning of the entire system of international relations.

Both views of security are also intrinsically inhomogeneous. In the first instance, when we speak about the security of the state, this can be understood to mean the security of the "necessary force," the force standing before society "that would moderate the collision, that would keep it within the boundaries of "order,"[2] and the security of the concrete political system which, according to K. Marx's definition, is the "official expression of civilian society."[3] These differences stem from the ambiguous nature of the state. As a form of organization of civilian society, the state has significant independence vis-a-vis the dominant socioeconomic system in a given society. The state has two hypostases: it is abstract and at the same time historically concrete. The state has existed as a form of organization of society since society first originated. On the other hand, as regards every concrete-historical state of society, we deal with a concrete state that personifies a given society in a given stage of its development.

When society assigns the state the foreign relations function, it charges the state with the protection of the interests of all its strata, of the entire nation, or common national interests. The unifying role of the state in foreign relations is entirely natural. Since states are the principal subjects of international relations, the various strata of society simply cannot protect their outside interests other than with the aid of the state. To be sure, in history there have been attempts to create other formations or forms for the external expression of the interests of individual social strata, but the activity of such organizations (as, for example, the Comintern), even though it played a certain part in the formation of national detachments of the communist movement in various countries, did not and could not compete with states in the realm of international relations.

In the modern world, states continue to be the principal figures in the world arena. Therefore, strictly speaking any outside-directed activity of society, including activity connected with its security, is of a statist nature.

If society directs the state to defend both its particular and general outside interests, this task must also include the protection of society in the event of an outside threat. To a certain degree, this situation obliterates the boundary between the interests of national and state security and leads to the identification of both concepts not only in everyday speech but in serious scientific literature as well. Even those authors that make a distinction between national and state interests and admit that they may not coincide in both internal and external political life (while noting that in this latter sphere there also exist "contradictions between the interests of the state and of civilian society, albeit in more hidden form"), relate security together with territorial integrity and sovereignty to questions that are of general national interest.[4]

However, even though national security and state security are interconnected, they are by no means identical. The differences between them stem from the two state hypostases referred to above which are also manifested in the external sphere. In its abstract meaning, the state must secure its own existence among similar political formations that are united by a common system of international relations. This function of the state, which is connected with the protection of its sovereignty, is directed outside and is realized in the process of conflicts and cooperation with other states that perform similar functions. State security in the given instance answers national interests because society that is unified into the state uses the help of the state to defend its right to remain a subject of international relations, i.e., to be an equal among equals. The activity of the state in this direction will mean pursuing national security policy.

On the other hand, every state personifies a certain sociopolitical system that exists in a given society in a given stage. In its every concrete historical manifestation, the state is simultaneously the arena and subject of internal political struggle among the various groups and strata comprising the given society. The social groups that exercise political power protect state security as the implement of their power against the encroachments of other groups that oppose them within society, that struggle for power within this state and simultaneously struggle against this state as the expresser of a certain political order. Naturally, when the state defends its security in the given instance, it does so primarily on the basis of its own interests. The obvious internal orientation of this activity overshadows its external manifestation.

However, the social system represented by the state can also be threatened from outside. There are numerous examples in modern and contemporary history that illustrate attempts, including successful attempts, to forcibly alter the social order by the direct and indirect participation of forces that are not an integral part of a given society. The classical struggle in international relations is not involved here.[5] The restoration of the Bourbons in France in 1815 by an anti-French coalition can serve as an example of how outside forces altered the concrete historical manifestation of a society's state order without infringing its sovereign rights in the person of the abstract state. History knows many such examples and every time the threat has been specifically to the concrete form of the state rather than the abstract subject of international relations even though one might have been accompanied by the other. Naturally, it is more appropriate here to speak of the threat not so much to national as to state interests and accordingly to state security.

While national and state security interests may coincide partially or even entirely under certain conditions, they may also substantially differ. In any event, national interests will be primary since the state itself historically originates as a result of society's interests in it. Consequently, the following connection can be made between national and state security: when national interests are threatened, the security of the state will also be threatened, whereas the reverse will not always be true.

In the history of many countries there are examples of basic divergences between national and state security interests. For example, Russia's participation in World War I was not connected with the defense of national interests. At the same time, a relatively early and victorious conclusion of this war might have strengthened the positions of the Russian autocracy.[6] Thus, V. I. Lenin believed that military defeat would also inevitably affect national interests but, however, considered this to be the "lesser evil for nine-tenths of the inhabitants of Great Russia."[7] The security of the autocratic state was thus directly contrasted with the interests of the future development of society.

On the other hand, there may be situations in which the interests of state security take precedence over national interests as they are traditionally understood. Such situations are possible in the event of serious internal cataclysms in society connected with the change of a concrete-historical state, for example, in revolutions and civil wars. They come about when the mechanism for regulating society's internal life malfunctions for a certain period of time—when the old mechanism is broken or incapable and a new mechanism does not yet exist or is only beginning to take form. A classic example is the Brest-Litovsk Peace Treaty of 1918, in which the Soviet government gave up a considerable part of the territory of the former Russian state and sacrificed national interests in order to withdraw from the world war and to strengthen its own positions. The fact that the conclusion of the Brest-Litovsk Peace Treaty was not only in the interests of the security of the young Soviet state but also of Russia's national interests, since the existence of any state social system during that period could be discussed only with a certain degree of conditionality, was secondary.

Of course, the cited examples illustrate extreme situations. National and state interests may coincide to the maximum with one another when society's development is normal, peaceful, and evolutionary. Differences in

national and state security interests will accordingly be minimal. A high degree of democracy of the state system must be a necessary condition, otherwise the totalitarian state will in fact supplant national interests with its own interests in both internal and external spheres. In a society with developed democratic traditions, on the other hand, the coincidence of various interests is attained through the maximum correspondence of the level of its development to the form of the social system. K. Marx and F. Engels wrote concerning such a society, which thoroughly corresponds to the definition "civilian," that it "must act outwardly as a nationality and be built inwardly in the form of a state."[8]

Thus, if we examine the security of the subject in international relations through the prism of the interests that are subjected to negative influence from the outside, we can draw quite a clear distinction between national and state security.

Under present conditions, it is very difficult to imagine security as an abstract category. The system of interstate relations that formed after World War II was based on the opposition for states with different systems of values. As it formed, this system acquired an increasingly rigid character: all events in world politics came to be viewed from the standpoint of the global confrontation between socialism and capitalism. According to these views and according to the canons of rigid centralization, national and state interests merged into one and the world became the arena of class struggle. The attitude toward security questions also changed accordingly. The political conceptions and military doctrines connected with its realization were based on simplistic and at the same time very risky notions—everything that strengthened the positions of socialism in the world as we understood it also strengthened our security and vice-versa. Until recently, our class approach to security issues entirely supplanted the national approach.

Not only national interests, including security interests, but also such commonly accepted principles in international relations as noninterference in the internal affairs of states and respect for their territorial integrity and sovereignty, were "hostages" to the dominant views of that time. Very illustrative is the fact that not until December 1989 did nations participating in the Warsaw Treaty finally condemn the illegal introduction of their troops to the territory of a sovereign state in the alliance—Czechoslovakia—in 1968. The position adopted in the early '80s by the erstwhile Soviet leadership on the critical situation in Poland also awaits its evaluation. We recall the words of L. I. Brezhnev at the 26th CPSU Congress: "We will not abandon, but will stand up for socialist Poland, fraternal Poland!" This was followed by the clarification that this position was based on the need to struggle "for the just cause of peace and the security of peoples." This created the appearance that the national interests of both Poland and the Soviet Union were being threatened. Recalling the events of 1968, after such assessments, the worst—which fortunately did not come to pass—could have been expected.

Both cases—the events of 1968 in Czechoslovakia and the tense situation in and around Poland in the early '80s—had much in common even though they ended in different ways. Based on the understanding of the modern world as the arena of class struggle, Soviet military doctrine was oriented toward "securing the reliable protection of revolutionary attainments and the all-round strengthening of the world socialist system."[9] Given such an approach, the security of deformed socialism naturally acquired hypertrophied dimensions. Every internal political instability was attributed to outside influence, which made it possible to speak of the existence of an external threat to its security. At the same time, the events in Czechoslovakia and Poland were of an internal nature and there was no threat to sovereign states in either case.

Different meanings of security are still confused in the military doctrine of the Warsaw Treaty [Organization]. In his characterization of it, Marshal of the Soviet Union V. G. Kulikov, in addition to the preparation of member nations and "their armed forces as well as the Unified Armed Forces to ward off aggression," also includes "means of waging armed struggle in the defense of socialism" in the system of "fundamental views of allied socialist states."[10] It is obvious that while in the first instance, the discussion is of the security of the state as a sovereign subject of international relations, in the second instance if is a question of the security of the state as a concrete form of society's sociopolitical order which is far from being one and the same thing.

It is proper to note that Western countries, especially the United States, are also depicting their state interests as national interests. But in a society in which democratic institutions are developed, it is much more difficult to do this and every such attempt generates open discussion and wide protests. The existence of a large number of independent-minded political figures, guaranteed freedom of speech, and as a consequence, well-informed public opinion help to maintain the necessary balance between the interests of the state and the interests of society.

Such a mechanism is also being created in our country. It is as yet very brittle and occasionally malfunctions. But one cannot fail to see positive changes in the foreign political activity of the Soviet state which is presently determined by the new political thinking. The idea that international relations must be guided by generally accepted norms and principles of behavior, that the inadmissibility of intervention in the internal affairs of sovereign states must not be supplanted by an arbitrary interpretation of the principles of internationalism is making headway. Our society is gradually beginning to become aware of its genuine external interests and the certainty is developing that they should not be manipulated.

Security as a Function of the System of International Relations

The view of international relations as a single, interconnected system is based primarily on the understanding of the world as a whole economic organism that forms according to the regularities of historical development. As F. Engels noted, "large-scale industry has connected all peoples in the world, especially civilized peoples, each of which depends on what happens with the other, by virtue of the very fact that it has created a world market."[11]

During its formation and development, the system of interstate relations went through various stages, each of which had its own specific structure. The basic elements of the latter—sovereign states and their relations—existed invariably but the active figures and specific combinations of reciprocal relations and contradictions underwent change. To use the terminology aptly proposed by E. Pozdnyakov, invariant and variant structures always correspond to interstate relations as a complex social system.[12]

The transition of a system from one concrete-historical state to another is accompanied by a break in the system's variant structure. In the process, a contradiction arises between the system's property for constant self-reproduction and the law of correspondence of the form of a system to a certain stage in the socioeconomic development of the world community, which leads to the perturbation of the system and to the restructuring of structure-forming relations. The system is unbalanced for a certain period of time and the threat—that is of an internal systemic nature—to the security of its functioning arises.

In order to function and develop normally, every highly organized system must have certain self-regulatory resources enabling it to bring its individual components into line with its specific structure and to maintain internal balance within the system. V. I. Lenin noted that "every state lives in a system of states, which are in a certain system of political equilibrium in relation to one another."[13] Disruption of this equilibrium, which of course does not boil down to the purely mechanical correlation of forces is the result of the weakening of the positions of individual elements (states) in the system and, as a consequence, encourages them to restore the lost position, which threatens new upheavals within the system. Ultimately, the latter returns to a state of stability, but on a different basis, with a structure that differs from its predecessor and with different security parameters for its elements. Such a system makes the transition from one state to another. Its form changes, but its content remains the same.

In G. Orwell's utopian novel "1984," the three states—Oceania, Eurasia and Eastasia—that have divided the world among them, are constantly warring with one another. From time to time, the configuration of their alliances changes: Oceania and Eastasia will fight against Eurasia, whereupon the latter become allies and fight against Oceania, etc., to infinity. This is a utopia, but in it the author, possibly not even suspecting it himself, grotesquely depicted the existence of a system oriented toward perpetual war. Constantly reproducing war, the system (through the states belonging to it) is interested in seeing to it that war goes on without interruption and regulates itself in good time when one of the sides begins to gain the upper hand. The functioning of such a system is an example of "civilized barbarianism," of degradation. The system cannot develop further. It faces a dead end.

The existence of such a system is inconceivable in today's world. But Orwell was not so far from the truth. All forms of the system of interstate relations that have existed up to now have been oriented toward conflict as the mode of resolution of contradictions within the system. The security of one or several states in such system could not become absolute since the security of a state and not of the system as a whole was the point of departure. Orwell only showed where this path of development could lead. His utopia illustrates the system's attainment of its "ideal"—the solution of the security problem through a perpetual state of war.

Naturally, the states themselves that act out of their own interests, are the regulators of equilibrium within the system of interstate relations. States belonging to systems in the ancient world and medieval times were interested in wars and therefore war was a normal form of the system's existence and of maintaining their equilibrium. Even the establishment of world empires stopped wars only for a short time and everything started anew when they disintegrated.

Wars gradually ceased to be a necessary attribute of the **existence** of states and consequently of the functioning of the system of interstate relations, and periods of wars have alternated with long intervals of peace. Alliances between states became more lasting and the structure of the system of interstate relations became more stable. Nevertheless wars and periods of restructuring of intrasystemic relations connected with their consequences continued to be important system-regulating means.[14]

Changes in the economic base—industry and trade were transformed into a new security factor—became the objective prerequisite to change in the parameters of state security within the system of their relations. But throughout all modern history, the actual system of interstate relations, while changing its form, continued to be oriented toward conflict and most contradictions arising within the system were resolved by force of arms.

The October Revolution in Russia attempted to radically change the system of interstate relations. It proposed replacing on a worldwide scale relations between states by relations between classes. This idea stemmed from the theory of world revolution which held that the proletariat in a historically brief period of time will be victorious in all developed capitalist states. In theory, V. I. Lenin saw two possible avenues of developing the new

world system that depended on whether the revolution would be victorious all at once in all leading capitalist countries or initially in one, individual country. Both avenues differed in the strategy of the proletariat and the time it would take socialism to be victorious on a worldwide scale. V. I. Lenin believed: "The political form of a society wherein the proletariat is victorious in overthrowing the bourgeoisie will be a democratic republic, which will more and more concentrate the forces of the proletariat of a given nation or nations, in the struggle against states that have not yet gone over to socialism."[15] After the victory of socialism, the "United States of the World" must be the "state form of the unification and freedom of nations until the time when the complete victory of communism brings about the total disappearance of the state, including the democratic state."[16] Lenin's plan, which was formulated before the bolsheviks came to power, presupposed replacing the system of interstate relations in the first stage by a system of relations between classes which was to develop into the system of relations between peoples in the second stage, following the final victory of socialism. Lenin did not subsequently return to such a plan for the restructuring of the world and advanced the concept of the peaceful coexistence of two systems—socialism and capitalism.[17]

The concrete embodiment of the system changed after World War I: new elements appeared and the configuration of intrasystemic relations and contradictions changed. The system itself, however, remained the same. To be sure, after worldwide bloodshed, the first attempt was made to establish a fundamentally new mechanism of intrasystemic regulation: the League of Nations, but the latter proved to be incapable of maintaining equilibrium within the Versailles system which contained many contradictions that were difficult to resolve from the beginning. The security problem within the framework of the system continued to be the prerogative of sovereign states that addressed it using old methods. The system on the whole remained conflict-oriented.

The system of interstate relations acquired a clearly pronounced bipolar structure in the postwar nuclear-space age. The confrontation of two independent subsystems grouped around the USA and USSR became its core. Two powerful poles with economic, social, and humanitarian values independent of one another formed within the single system of interstate relations. Relations between the two subsystems were organized on the basis of the principles of deterrence and coexistence. The general world system continued to be oriented toward the conflict resolution of internal contradictions, but with two substantial differences. First, the two subsystems were more separate from one another or, to put it more precisely, the socialist system was self-insulated against the general world system. As a consequence, interstate contradictions were pushed into the background by contradictions between subsystems, while the traditional concepts "state security" and "national security" received "class" content (in large measure, artificially). Second, the appearance of nuclear weapons and modern delivery systems made it impossible to resolve intrasystemic contradictions within the framework of power-center relations. The result of this was that contradictions were shifted to the periphery of power-center relations and many regional conflicts heated up.

The unified system of interstate relations dead ended after diverging from the principal path of its development. The attempt to extricate from it from this dead end and to return it to its normal channel is contained in the idea of developing an all-embracing international security system. Today this idea seems utopian to many. Nevertheless, it offers a chance that must not be missed.

The Internationalization Process and the Idea of All-Encompassing International Security

The idea that the absolute security of one state in the interrelations of sovereign states independent of all the others is unattainable is not a discovery of the 20th century. Two centuries ago, I. Kant was one of the first to suggest the existence of a fundamentally different system of relations between peoples in the future, in which the security problem would be resolved on the basis of everyone's recognition of the "need to preserve the whole in the interests of each of them."[18] His words that "a destructive war in which both sides and all law together with them might be destroyed would lead to eternal peace only in the gigantic graveyard of mankind."[19]

Kant proposed a new model of world order that was far ahead of its time. In his idea of a "union of the peoples," one clearly sees the idea of the inevitable future clash between the internationalization process and the preservation of the national state as a form of societal organization. Kant saw the resolution of this contradiction to lie in mankind's gradual movement from separate societies (the aggregate of which we today call the world community) to a single civilian society on a planetary scale. The philosopher did not call for the creation of a world state, realizing that this goal was hardly attainable in the foreseeable future, but, given the existence of sovereign states—considered it necessary to develop supranational instruments for maintaining "eternal peace." To be sure, Kant idealized the moral principle in man, saw the attainment of the "worldwide-civilian state of public state security" in the lawmaking activity of practical reason and did not attach decisive importance to economic factors even though he did take them into account.

With the normal development of any social system, be it an individual nation, some region, or the world community as a whole, joint economic interests are the most important factor that integrates it on a long-term basis. In the process of its development, such a system goes through several stages—initially, economic relations between its elements are sporadic and unstable. They latter become constant and interdependent. This is followed by the completion of the genesis of the system and it arises as a unified, continuous whole vis-a-vis other

systems and the environment. Only in this stage can one say about the system that its elements are connected by **common** economic interests. Prior to the formation of the latter, intrasystemic perturbations expressed in various kinds of conflicts and wars, are commonplace—the system regulates itself and develops its internal equilibrium mechanism. After the latter has been created, there is general interest in preserving it.

In such a social system, the security problem can no longer be reduced to the framework of state boundaries. It becomes the function of the entire system, whose elements are equally interested in its stability. In the course of further development, there is a constant reduction in the significance of traditional views of security and the gradual obliteration of boundaries between them.

Today we observe a high degree of integration in this stage in the system of interrelations of states that is commonly called the West. Postwar decades gradually saw the creation of a multi-tiered regulatory system that includes various kinds of associations of economists, politicians, businessmen, intergovernmental organizations, as well as annual meetings of the heads of state and governments of the seven leading countries. The same mechanism to a considerable degree performs the function of formulating and coordinating the joint political line, *inter alia* in the case of questions connected with the realization of common security.

While the level of economic integration is generally high in the West as a whole, it does not by any means exist everywhere and is not identical in all respects. Its highest stage today has been reached in EC countries, where totally new political institutions (the European Parliament, the European Court, etc.) to which supranational functions are making their transition (while national states are preserved) are being created on this basis. The entire capitalist system is moving in this direction.[20] Integration here is a natural process with all the costs of this path of development—economic crises, trade wars, etc. But it is primarily based on economic interests that are the foundation upon which superstructure processes develop.

The socialist world's path of development has been different. For a number of objective and subjective reasons, the formation of the system here was ideologized beyond all measure from the very beginning. What is more, economic feasibility factors were frequently a secondary consideration. While it cannot be said that they were ignored entirely, they also did not become the heart of the system. As a result of the road traveled jointly by them, socialist countries proved to be more unified in terms of superstructure than they were economically integrated.[21] Therefore, centrifugal tendencies have been periodically in evidence in the system created on an ideological basis.

The experience of various countries and peoples shows that other motives, for example, religious or ethnic-cultural motives can also serve unifying aspirations, but the alliances created exclusively on their basis are not particularly enduring.

History decreed that the world be divided into the opposing world systems of capitalism and socialism, which in many respects, especially in an economic respect, have remained independent of one another. What then prompts us today to talk about the existence of a single world system and to advance the idea of all-encompassing international security?

The interests of all mankind, dictated by the general concern for its survival, are unquestionably the unifying factor today. And here we come to a new manifestation of security that is characteristic only of our time: security in intersystemic relations.

International relations as a system cannot exist outside time and space. In the study of any system, the identification of the system among a number of adjacent systems is one of the most complex problems. There are different points of view on this score regarding international relations. Without going into detail, it can in any case confidently be said that the interaction of society with nature is an intersystemic phenomenon.

The threat of nuclear and ecological apocalypse has led to the recognition of the priority of general human interests over all others, whether social, national, or state. We have in turn placed the idea proposed by the Soviet leadership regarding all-encompassing security on the plane of real politics.

Proposals made in 1986 to create an all-encompassing system of international security largely echoed Kant's ideas about "eternal peace." The similarity was not so much in the basic principles of the proposed system (they naturally differed just as the 18th century differs from the end of the 20th century) as in the general orientation of the idea. In both cases, the idea of the security of **entire** system of international relations that would be uniform for **all** its participants became the prerequisite. The Soviet proposal was further also the product of practical reason. Like Kant's ideas, the idea of all-encompassing security appeals to morality in politics.

The Soviet proposal can tentatively be divided into two parts. The provisions that discuss the prevention of the threat of mankind's self-destruction reflect the actually existing and comprehended danger and are therefore objectively responsive to general human interests. The interests of the entire system are in this case the real basis for their practical realization. This is the actual security of survival. But the system would not be all-encompassing if it did not encompass other aspects of security as well—in the political, economic, and humanitarian areas where there is still far from being a complete system of interests common to all members. This does not mean that proposals concerning these spheres of life are doomed to fail. To the contrary, the guarantee

of mankind's future lies in the realization of the proposed (and subsequently expanded) principles. But their full realization will still require the creation of a material base that will in turn require taking more than just one or two steps toward one another.

Only when the system of international relations corresponds entirely to a single world economic system based on the international division of labor will there be reliable material guarantees of the unity and **general** security of all mankind. The world community will become a unified organism in which the threat to any of its parts will be perceived as a threat to the whole.

For now, however, while our policy theoretically proclaims a materialistic understanding of the world, it suffers from idealism in practice. Too frequently we follow the old scenario of advancing one more, generally appealing initiative, then noting the enthusiasm with which it is received in the world and then, after a certain amount of time, looking for those who are to blame for the idea's failure. We very frequently forget that it is not enough to suggest an initiative—that it must also be brought into line with the real situation and the interests of those to whom it is addressed.

The idea of the "common European home" can serve as the example of recent years. Like most of our proposals, it looks very enticing and promising. We turn toward Europe with an open face and Europe welcomes this. Indeed, what can be better than a lasting peace on a continent that has already known so many wars? But what must be done so that the idea of the "common European home" would not become just one more failure? After all, as far as the West Europeans are concerned, the only essential guarantee of the sincerity of our intentions is the belief in perestroyka and hopes for the continuity of the Soviet leadership's new course. But what if the leadership changes policy? What then? Will it be a repetition of the sad experience of the late '70s and early '80s when detente gave way to increased confrontation? Where are the guarantees that this will not be repeated? Let us try approach the question from another side. Let us assume that a new leadership comes to power in some West European country that is extremely negatively disposed toward our perestroyka, toward our country in general. What can prevent it from creating a new focus of tension in East-West relations? Only public opinion in the given country. But this is clearly not enough to be an absolute guarantee against serious conflict situations. But can one imagine such a thing in relations between two West European countries? Even if the communist party comes to power in one of them and the other's government consists entirely of conservatives? It is difficult to propose such a thing even theoretically.

It is obvious that the reliable guarantee of the irreversibility of a new detente and of success in the construction of the "common European home" consists in general European economic integration. (Incidentally, from this point of view the West European home has already been built and its new tenants—East Europeans—will soon be moving in.) For this, there is no need to copy the Western economic system. However, integration also does not consist in exchanging "gas for wheat." This is unquestionably a difficult question, but already today we must more actively attract foreign capital to the Soviet economy (naturally assuming the stability of the corresponding Soviet laws), create full-fledged, competitive joint ventures (rather than create artificial "obstacle course" for those already established), and, finally, open up free economic zones. If we want to shield our economy from competition in our own market, if we fear the dissatisfaction of individual population groups in connection with the initial inevitable loss of earnings at many ineffective enterprises, if we desire to create "socialist monopolists" in most branches in our country, then we must abandon the illusion of obtaining a permit to reside in the "common European home," because otherwise (without economic integration) it will be a "communal apartment" where peace and quiet will depend on the mood of the tenants when they wake up in the morning. The home can be common only if breaking something in it becomes equally disadvantageous for all, because everyone will clearly realize that they are breaking up their own dwelling.

The most important thing now, if we in fact want to realize the basic principles of the new foreign political course, whether it be a universal security system or the "common European home" is not only to think, but also to act more energetically in the new way, not only to declare our striving to participate in world processes (they will develop in the direction of integration even without us) but to join in them sooner. This is because the irreversibility of perestroyka in the USSR is to date the only guarantee that the world will finally become unified and that we will be full-fledged citizens of this world.

The world that entered the last decade of the 20th century divided must become unified in the third millennium. How soon this will happen and the form the new structure of international relations will take is for now difficult to say.

Different ideas of mankind's future building are being designed and tested already today. This entails the full-scale use of the mechanism inherent in the UN Charter, the implementation of the idea of the "common European home," and forms of political integration already in existence in Western Europe. It is entirely possible that mankind will become one of these variants in the future or will choose something else.

In any event, the internationalization process was given a powerful impetus in the second half of the '80s and today there is the certainty that it will not die out, but that it will begin to gain momentum. And then mankind will be able to say with every justification that the security problem in international relations has been resolved.

Footnotes

1. See: "Platon. Dialogi" [Plato's Dialogues]. Moscow, 1986, p 434.

2. K. Marks and F. Engels, "Sochineniya," Vol 21, p 170.

3. Ibid., Vol 27, p 402.

4. See MEMO, No 5, 1988, p 11, 5.

5. Here the author is entirely in agreement with E. Pozdnyakov's conclusion that "the view of interstate relations as a sphere of class struggle is unacceptable" (MEMO, No 5, 1988, p 13).

6. According to V. Shulgin, an active participant in the events of that time, even in the face of the growing crisis of state power in January-February 1917, supporters of the autocracy believed that a successful Spring offensive at the front could save the Russian monarchy (See V. V. Shulgin, "Dni. 1920" [Days. 1920]. Moscow, 1989).

7. See V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Collected Works], Vol 26, p 109.

8. K. Marks, et al, Op. cit., Vol 3, p 35.

9. "Varshavskiy Dogovor—soyuz vo imya mira i sotsializma" [Warsaw Treaty—An Alliance in the Name of Peace and Socialism]. Moscow, 1980, p 15.

10. V. G. Kulikov, "Doktrina zashchity mira i sotsializma" [The Doctrine of Defense of Peace and Socialism]. Moscow, 1988, p 40.

11. K. Marks, et al, Op. cit., Vol 4, p 334.

12. E. Pozdnyakov defined the correlation between them as follows: "...The structure-invariant is a natural, stable type of connection that inheres in the system of interstate relations as such as a specific social system distinct from other systems of relations, from the environment; the variant structure in turn is already a natural, stable connection that inheres only in one or another concretely-historical state of the system and that changes together with the change of states" (E. A. Pozdnyakov, "Sistemnyy podkhod i mezhdunarodnyye otnosheniya" [The Systems Approach and International Relations]. Moscow, 1976, p 73). Unfortunately the methods proposed by this system for researching world processes were undeservedly forgotten.

13. V. I. Lenin, Op. cit., Vol 42, p 59.

14. The understanding of the function of war in state policy migrated from the Middle Ages to modern times. F. Bacon wrote in the early 17th century: "No organism, whether natural or political, can preserve its health if it remains idle. A just and honorable war is such a healing exercise for any state" (F. Bekon, "Sochineniya" [Works], Vol 1, Moscow, 1977, p 481). But the same Bacon viewed wars only as a way of strengthening states' security and might, but not as a form of their existence.

15. V. I. Lenin, Op. cit., Vol 26, p 355.

16. Ibid., p 354.

17. In corrections and notes on the draft declaration of the Soviet delegation to the Genoa Conference, for example, V. I. Lenin demanded the deletion of the words that our "historical conception includes the use of forcible measures" from G. V. Chicherin's speech (V. I. Lenin, Op. cit., Vol 45, p 63).

18. I. Kant, "Sochineniya" [Works], Vol 6. Moscow, 1966, p 21.

19. Ibid., p 264.

20. Until recently, our literature artificially narrowed the framework of analysis of the interrelations of Western countries as a result of the overemphasis of the thesis of the existence of the most profound and ineradical difference in economic interests (see V. I. Lenin, Op. cit., Vol 42, p 94). The idea that was stated concerning American-Japanese relations reflected the realities of the still extant "military- feudal" character of Japanese imperialism. To mechanically extrapolate it the present would be to display the same dogmatism that Lenin himself fought against. And the question is not only and not so much the common social values as the highest degree of economic integration.

21. Such a situation created the most favorable conditions for supplanting national interests with state interests in every socialist country and would lead to distorted ideas about security that have already been discussed.

Poland's Approach to Economic Reform

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[Article by Sergey Vladimirovich Aleksashenko, candidate of economic sciences; lead specialist, USSR Council of Ministers State Commission on Economic Reform: "Economic Reform: The Polish Path"]

[Text] The Soviet people's interest in the forms and methods employed in Poland's radical economic reforms is growing with each passing day. Will this neighboring country succeed in cutting the Gordian knot of problems of the real socialist economy and if so, what will the consequences be? Soviet economists now use the words "Polish variant" and "shock therapy" as often as they use "khozraschet" and "leasing."

What is happening in Poland? How is the economic situation there changing? What has made reform possible? What have been the results? What problems

remain unsolved? How acceptable is such a path for us? We shall try to answer these questions?

Sociopolitical Factors of Economic Reform

The possibility and inevitability of the form of the economic reforms that has been realized in Poland since the middle of 1989 and that reached its apogee in the form of "shock therapy" starting in January 1990 are determined to an enormous degree by the combination of common regularities in the development of "real socialism" and the unique configuration of sociopolitical forces in that country.

Against the background of the ruling forces' geopolitical orientation toward the USSR, the development of events in Poland have repeatedly resulted in a situation where every move is checkmated. While the authorities have felt strong social support for all their attempts to pursue a more or less independent course in internal and, partly, in foreign policy as well, they have continuously found that such support was absent in the preparation of economic reform measures that were difficult and burdensome to society. Nevertheless, the need for reforms in the Polish economy became evident back in the mid-'50s, when the command-administrative, paternalistic, and politicalized methods of economic management were finally affirmed and the structure of the economy itself with its overemphasis on coal mining, ferrous metallurgy and the defense industry (Polish social and political journalism occasionally refers to this situation as the "Stalinism of coal and steel") formed.

The population's dissatisfaction with the results of such an economic policy has been expressed repeatedly. It has usually been triggered by the authorities' attempts to correct the situation with the aid of measures that would mean a deliberate even if slight blow against the Poles' financial plight. The country's political system did not provide mechanisms for the institutional localization and resolution of such dissatisfaction which spilled over into sociopolitical crises. The entire history of postwar Poland is a chain of crises in 1956-1970, 1976, 1980, and 1988. Official reaction initially usually boiled down to more or less repressive actions and, in the next stage, to "placation" and concessions. "Teams" (Gomulka's team, Gierek's team, etc.) were replaced to eliminate tension and mistrust. On the one hand, the authorities could not agree to a fundamental reform that would mean the loss of ideological integrity while on the other hand they lacked the strength to insist on their own way, to resist the demands of the people. As a result, the country gradually became immersed in crisis.

After the well-known period of 1982-1988, which demonstrated the limits of flexibility of the PZPR [Polish United Workers Party] in its relations with the people (one can mention such official failures as the inability to hold down wages following the price hikes of 1982, the dissolution of Solidarity and a number of creative unions, and the psychological war against them, the murder of Roman-Catholic priest Popieluszko in 1984 and the "peaceful explosion" that resulted from this, the wave of strikes in the summer of 1988, and the shutting down of the Lenin Shipyard), elections held in 1989 put an end to the PZPR's former role.

The impeccable authority of T. Mazowiecki, the new premier, his experience in legal and illegal political and publicistic activity, his ties with Solidarity from the very first moment of its existence—all this opened up broad possibilities for the government.

As a result, the Mazowiecki government was given a high degree of autonomy and freedom in choosing the directions of its activity. Public opinion polls indicate the constant and exceptionally high level of confidence in the premier. It is even higher than that of such indisputable authorities as primate Glemp and Walesa. The premier has become the most popular figure in the nation. And all this despite the obvious deterioration of the population's financial plight. The people link their long-term and strategic hopes to the government. The credit of confidence in the government is far from exhausted. It is specifically this confidence in the government, in the premier, and "national leader" Walesa that forms the basis of society's patience. The scale of society's confidence and patience staggers the imagination; since September 1989, traditionally turbulent Poland has been an oasis of tranquility in Eastern Europe. This confidence was won not by clarifications of government measures but by all preceding activity. Decades of struggle are paying off.

Today there are no forces in the nation capable of challenging the government's ideology and political position. Trade unions, Solidarity not excluded, are in a very difficult situation. The former might of Solidarity stemmed from its opposition to the regime, which attracted everyone who was dissatisfied. Membership in the reborn trade union today, however, is far short of the 1980-1982 scale. Most working people no longer link their future exclusively to the trade union's successes. The parliamentary situation is complicated. In it there are no openly antireformist forces. But, first, its makeup reflects the complex "roundtable" mechanism for dividing mandates. Even free elections to the Senate demonstrated victory not of a clearly-defined political line, but of the authority of Walesa and the image of Solidarity. No one will venture to say that parliament's voting properly expresses the opinion of the voters on specific issues. Everyone recognizes the fact the elections were in the nature of a plebiscite and the necessity of observing the decisions of the "roundtable" is more and more frequently called into question. The new parties operating in and outside parliament are still weak and the traditional parties have already grown weaker. Attempts at modernization by the former United Peasants' Party [ZSL] and the Polish United Workers Party [PZPR] (known today as PSL "Rebirth" and *SDRP*) only confirm the weakness of these parties in the political atmosphere of today's Poland.

Finally, for all their personal authority, the former representatives of the leftwing Marxist opposition, that head the Civilian Club and consequently the parliament as well, must feel the consequences of the general crisis and the lack of new attractive and effective proposals in their arsenal.

General Description of the Economic Program

The economic program of the government of T. Mazowiecki was formulated under the conditions of deepening crisis in the Polish economy: the general imbalance was increasing, the financial system was almost completely destroyed, the inflationary spiral was rising from month to month. The housing crisis, the enormous public debt, ecological problems, and declining production had resulted in the total disorganization of economic life. The attempt could have been made to cope with this legacy through the total regulation of economic activity and rationing. However, such actions would hardly have satisfied even the most elemental needs of society, to say nothing of promoting economic growth. Poland's new government rejected this approach and opted instead to break with the existing economic system, to carry out radical changes in the system, and to make the transition to a market economy.

Thus, this program, or the "Balcerowicz plan" as it is also called (Balcerowicz was a key figure in its formulation) is oriented toward making "fundamental changes in the socioeconomic model of society" (according to T. Mazowiecki's definition).

The government is placing its stake on the development of free enterprise in the hope of liberating market forces, giving them the opportunity to reveal the most promising directions of future economic development and at the same time to reveal negative features requiring the intervention of the state.

The new government's program, which to a certain degree continues plans that the PZPR had already been implementing or planned to implement for 10 years, presupposes more decisive and uncompromising socioeconomic reforms. Based on the enormous confidence of credit received in the last elections, the government for the first time starkly announced to the people that it was practically relieving itself of responsibility for the people's welfare and was transferring this concern to the people's own shoulders. This is specifically the basic content of the "shock" to which Polish society is being subjected.

L. Balcerowicz believes that it is possible to put an end to hyperinflation now or never and therefore "shock therapy" is declared to be not only an effective means, but, importantly, the only means of healing Poland's crisis-ridden economy. Hence the radicality and desire to complete the period of transition as soon as possible.

Since the economy must be stabilized before the socioeconomic system can be reformed, the logic of the program is as follows: first of all, stabilization as the basis for creating the prerequisites for the broad development of market relations and only then cardinal changes in forms of property (privatization) structural changes, and economic growth. A large role is assigned to foreign aid and International Monetary Fund experts and Polish economists working in the West were called in practically at the very beginning of commencement of work on the program. Their influence is felt in the choice of prescriptions that the IMF routinely suggests to all countries applying to it for aid. Poland succeeded in obtaining as much as $3 billion in such aid already in 1990.

The economic program is to be carried out in two stages. Planned for the first stage (up to mid-1990) are:

1) radical anti-inflationary measures to control hyperinflation already by mid-1990 (reducing it to the level of 3-5 percent a year);

2) the attainment of market equilibrium on this basis at price levels and correlations close to world prices;

3) creating legal support for radical reforms in the socioeconomic system; adopting packages of new laws or amendments to old laws with the aim of liberating the market forces.

The second stage, which will last 8-10 years, will be devoted to effecting the indicated fundamental economic reforms, to promoting economic growth and effectiveness.

These two stages are closely interconnected. The decision to make systemic changes in the economy and to orient them toward the market make it possible to use levers already in the first stage that will become an integral part of the future system and facilitate its formation.

The invigoration of industrial production is a relatively weak point in the program. In the existing crisis situation, a number of measures capable of promoting economic growth must be taken. Privatization and foreign capital cannot normalize the economy in less than 3-5 years.

Prospects for the structural restructuring [*strukturnaya perestroyka*] of the economy are also unclear and there is no plan for resolving the social problems that will arise in the next few years.

However, all this is connected to a certain degree with the philosophy of the program's authors. They believe that the state must first of all reduce its intervention in the economy to a minimum, allow space for its independent development, determine the "sore points" of the disproportions, and only then exert a purposeful influence on them.

If one evaluates the "Balcerowicz plan" in general, it is obvious that it emphasizes the first stage which has been worked out quite carefully. Addressing short-term goals,

it is compressed in time and makes provision for decisive "strict" measures which gives it its figurative name "shock therapy." Naturally, it cannot be taken out of the context of the entire program and its final goals because the framework of the first stage makes provision not only for the stabilization of the economy but also for commencing systemic changes as well. Nevertheless, the principal emphasis is specifically on stabilization as a means of achieving equilibrium in the market (especially the consumer market) and balance of the state budget and the credit sphere.

Stabilization presupposes above all the eradication of the inflationary potential that weighs on the economy in the form of the excessive money supply.

Earlier measures did not lead to a positive result since the money supply can be reduced only if prices rise faster than wages, and it has not been possible to achieve this situation. Even the Mazowiecki government did not succeed in reaching the required correlation of rates until December 1989. A major breakthrough in the resolution of this problem was noted at the beginning of 1990.

The theoretical sense of "shock therapy" was as follows. The considerable gap in the growth rates of prices and wages should quite soon result in a situation in which further price increases would become impossible because prices would encounter the barrier of effective demand. Thereafter, the rate of inflation would decline sharply. The elimination of the state budget deficit, the sharp rise of interest rates which additionally reduces current demand, would restrict inflation and promote balance in the market. Higher interest rates on credit will necessitate prompt repayment and higher interest on deposits will stimulate saving. As a result of this operation, there will be fundamentally new, more rational correlations of prices on individual commodities reflecting actual demand. The transition to the convertibility of currency will make it possible to bring levels and correlations of prices of various goods into line with world prices.

These measures should quite soon result in a situation in which the shortage of goods is eliminated, queues disappear, there is equilibrium in the market, and it becomes possible to buy any good. However, these attainments also have their own "price"—the sharp lowering of the standard of living of the population, especially of its low-income segments—which is known beforehand.

Reduced investment demand, the lowering of the volume of production, the growth of unemployment, and the increase in the number of bankruptcies are a no less bitter price to pay for the attainment of equilibrium through such stabilization measures. It is not easy to venture to adopt such a program, but if there is no other way out and if the support of the people is great, the risk may be justified.

The population's dissatisfaction with the lowering standard of living is partially compensated by the disappearance of shortages and queues. But the most important thing is the elimination of the distorting influence of shortages on all economic parameters (price, bank rates, currency exchange rates, etc.) on the thinking and behavior of economic subjects, which also results from the elimination of bureaucratic restrictions and the radical reform of institutional structures.

The same considerations also evidentially were at the basis of measures that are being realized in the first stage of the "Balcerowicz program." Principal among them are:

—the substantial, several-fold, increase in prices (including centrally established prices). The hyperinflationary spiral will deliberately continue until general and partial equilibrium is reached in the main segment of the market;

—"rigid" restriction of increases in personal incomes;

—a sharp increase in interest rates on loans and general restriction of the money supply;

—the encouragement of savings by raising interest on deposits;

—the attainment of equilibrium in the credit system and removal of the central bank from the control of the Council of Ministers;

—the sharp reduction of state budget expenditures, the practical elimination of the state budget deficit by issuing state obligation bonds;

—rectification and standardization of the tax system;

—the introduction of a uniform zloty-dollar exchange rate and internal convertibility of the zloty for enterprises and for the population.

—the establishment of new customs rates stimulating exports and limiting imports;

—the elimination of monopolistic structures;

—a new policy on employment (termination) and social assistance to the population based on the principle that it will be rendered only to the extent the government is able to and only to those who have a genuine and urgent need for such assistance; and

—the discontinuation of direct state intervention in the activity of enterprises; the use of exclusively economic levers.

The practical implementation of these measures commenced on 1 January 1990 without discussion in the Sejm and the Senate.

The Implementation of the Program and the Initial Results

Liberalization of prices. One of the principal directions of "shock therapy" is the sharp and significant rise of prices with the simultaneous change in their correlations and their liberation from centralized control. Most prices on basic consumer goods were "liberated" in

August 1989 by decision of the previous government.[1] At the end of December 1989, the Ministry of Finance reported the next scheduled exemption of the upper limit of contract prices from state control and also reduced the number of economic objects obligated to inform financial organs of their intention to raise prices (approximately 80 commodity groups and 18 economic objects were exempted).

Higher prices on coal for industrial use were announced on 1 January 1990 together with higher prices on gas (3.5-fold) and on electric power—4-fold. Retail prices on coal were increased 7-fold; on electric power and gas—5-fold. The payment for central heating and hot water was also increased 5-fold.

Telephone rates doubled on the average; postal rates increased 2.5-fold; and transport rates rose 3-3.5-fold. Prices on gasoline and lubricating oil approximately doubled.

In keeping with the government program, the pricing of 90 percent of all goods in Poland has been converted to a market basis; prices on 5 percent of all goods are administratively regulated by the state; changes in prices on the other 5 percent require the notification and consent of a state body. One of the principal terms of the program—the transition to free price formation for the most part—has thus been realized. It was assumed that the overall rise of prices would be 45 percent in January, 20 percent in February, 3-5 percent in March, and between 95 and 140 percent for the entire year.

However the actual turn of events was different: Price rises far exceeded the projected level. Already in the first week of January, the average price rise was approximately 60 percent. The overall increase in prices in January was 79 percent of the price level of December. The increase in food prices was especially sharp: twofold on the average.

In approximately 3 weeks prices reached their "ceiling" and even exceeded it. Understandably, thereafter they began to decline and producers began "feeling out" equilibrium prices. Government quotas were fulfilled in February and March: prices rose 20 percent and 6 percent, respectively.

Contrary to expectations it was not possible to eliminate shortages immediately: in the first week of January, the quantity of goods in stores decreased and queues remained; the situation stabilized in the second week, and only with the beginning of the third week did the quantity of goods begin to grow and the queues practically disappeared. This was one of the government's major victories: the constant shortages characteristic of recent years gave way to shelves that were quite filled.

The unforeseen results in this area can be attributed to two factors. First, there were practically no accumulations of commodity reserves for intervention in the market; second, the degree of monopolization of trade and its possible consequences were underestimated. It became very profitable for large trade cooperatives with resources in their hands to reduce sales and raise prices. They had the opportunity to dictate their terms to both consumers and producers. Only emergency measures, for example, granting permission to everyone to sell goods, including sellers "on wheels" in the streets and squares (also a kind of commodity intervention) made it possible to alter the situation.

It was not possible to halt the rise of prices on goods, the demand for which was independent of price, especially the demand for bread. Faithful to its stand on "identifying and eliminating distortions," the government expanded the list of goods for which price amendments had to be coordinated (23 January) and established the same rule for price amendments for 24 of the largest enterprise-monopolies in its branches (26 January).

At the same time, it appears that the astronomical rise of prices led to general balance in the market much sooner than expected.

The disappearance of the population's unsubstantiated illusions concerning the possibility of a high standard of living was one of the principal successes at the beginning of the year: in the time of general shortages and low prices, everyone thought that he could consume more, that he was simply unlucky, that he could not find the goods he sought in the store. The beneficiaries of the measures that were taken were those who could not previously stand in line, who had no acquaintances in trade, etc.

On the whole, it can be noted that the government realized its goals in this area albeit at quite a high price.

Wages and social policy. Balance in the consumer market in the short term can be attained only with the simultaneous increase in prices and the sharp restriction of the growth of the population's incomes. The IMF's traditional prescription is to "freeze" wages. In Poland, it was opposed by both leftwing and rightwing critics of the government program. The left demanded the preservation of the level of the population's real incomes. The right demanded the liberalization of prices on manpower. Thus, the method employed in Poland became the result of compromise between the government and trade unions primarily. It boiled down to the following.

The wage fund could increase together with inflation, but with a certain lag; the rise in prices was compensated by only 30 percent in January and by 20 percent in February (the size of the correction factor is inversely dependent on the period in which it is planned to eliminate inflation). There is a system for adjusting the size of the fund if the size of the work force increases in connection with the assimilation of new capacities. An enterprise exceeding the permissible limits for wage fund increases by 2 percent or less must pay a fine of 200 percent of the excess; an enterprise exceeding it by 2 percent must pay a penalty of 300-500 percent of the excess depending on the branch.

Such a procedure very quickly increases the gap between rising prices and incomes and, moreover, this difference becomes all the more appreciable as the rate of inflation rises. The relative lowering of the population's demand and consequently the real restriction of sales are the result of this procedure. At the same time, it leads to the rapid lowering of the level of the population's real incomes. Consumption of the principal food staples in January declined 20-25 percent.

This is one of the key points in L. Balcerowicz's entire program: if the government succeeds in restraining the growth of wages without evoking mass protests in the process (the confidence of the people is the basis for this calculation), it can be said that the first stage of the program is successful. At the present time, there is probably no one who is firmly certain that this will truly succeed: while prices in January through March rose 79 percent, 20 percent, and 6 percent, wages rose 20 percent, 12 percent, and 9 percent, respectively. The policy chosen by the Polish government is like walking on the edge of an abyss: one false step and all preceding steps will have been in vain. Social policy under the conditions of the reform are called upon to solve two problems.

The first is to maintain the living standard of persons supported by the social security system. The second is to adapt the economy to growing unemployment. The indexing of pensions and other grants from the social security fund has been introduced in order to solve the first problem. They are indexed to keep pace with planned wage increases. It is thus planned to keep the ratio of pensions to wages at the 1989 level of 52 percent. A comprehensive reform of the entire social security system is planned for 1991.

Previously exaggerated social protections have been reduced substantially as a result of the reform. While the population was previously guaranteed not only employment in general but also a specific job, there is now the real threat of unemployment.

It should be noted that the program's authors believe that the absence of appreciable unemployment will indicate the failure of measures to curtail ineffective enterprises. The Ministry of Labor forecast approximately 400,000 unemployed by the end of 1990; the IBRD's estimate is up to 2 million. There were 6000-7000 unemployed registered in the nation at the end of 1989. Their number began to grow with the beginning of the new 5-year plan: at the end of January it was 60,000; February—180,000; March—266,000; in mid-April—317,000 (2.7 percent of the economically active population). Most "superfluous" personnel have been terminated. Bankruptcies, especially of large enterprises, are rarely encountered. It is important to note in this regard that the given level of unemployment reflects the general lowering of the volume of production and does not as yet attest to the structural restructuring [*strukturnaya perestroyka*] of the economy. Enterprises are actively using compulsory leave and retraining courses in an effort to avoid the mass firing of their personnel. The possibility is not excluded that the major events are still ahead and that certain social problems may develop in Polish society.

Budget policy. For several reasons, Poland's budget for 1990 was subjected to fundamental changes. First, it was possible to draw up the planned budget with virtually no deficit (2.5 percent compared with 20 percent in 1989) as a result of the substantial reduction of state price subsidies and of expenditures on the sociocultural sphere, defense, and science. In 1990 the budget subsidizes prices only for the following goods and services: two-percent milk; milk dishes in lunchrooms; coal; Polish-produced fertilizer; passenger transport (bus and rail); and the creation of commodity stocks for market intervention.

It is planned to reduce the share of subsidies in budget expenditures from 31 percent in 1989 to 13.7 percent in 1990. Most of them will be for coal; the solution of this branch's problems will require many years.

State budget subsidies for housing and municipal services will increase by approximately 15-8 percent (in real terms) compared with the preceding year. The share of subsidies in total expenditures on housing and municipal services will rise from 74 to 79 percent. This will contradict the basic principles of the government's program and will inhibit the development of market relations in the housing sphere, i.e., systemic changes that are the ultimate goal of the reforms. This is evidently one of the compromises the government has resorted to in order not to undermine the population's confidence.

Second, the transition has been made to a new mechanism for financing the state budget deficit with the aid of bonds. These bonds are issues for a period of 5 years and do not bring their owners income in the form of interest, but their price increases apace with inflation, i.e., they are a kind of savings that do not lose their value over time. What is more, if these bonds were used to purchase stock in privatized enterprises in 1994, their values would increase by another 20 percent.

Third, measures are being taken to prevent the devaluation of budget revenues. Uniform taxation principles have been introduced for all enterprises. A procedure has been established for the payment of taxes to the budget on a top-priority basis. State enterprises in Poland make payments for fixed capital used by them. At the present time, the value of this capital, which nominally remained the same for a long time, is being adjusted for inflation and increased 11-fold on the average, and enterprises are compelled to get rid of superfluous capital, to sell it for market prices thereby helping to form the producer goods market.

It appears that the Mazowiecki government is on the whole succeeding in balancing budget revenues and expenditures and in avoiding the destructive impact of a budget deficit on the economy.

Credit-monetary policy. The transition was made to a two-tiered banking system in Poland in 1987-1988. At that time, nine independent commercial banks that assumed the function of crediting the economy, were separated from the National Bank. But the transition was formal since the bank continued to be subordinate to the government and credited the government's expenditures free of charge. The National Bank became entirely self-standing and independent in the middle of 1989. Twenty-two commercial banks are currently in operation in the nation.

In connection with the liberation of subjects of production from crediting functions, the Polish National Bank began performing entirely natural functions of a central bank, principal among which was the monitoring of the overall money supply and the rate of its growth depending on the development of the economic situation in the nation. The shortage of money in the Polish economy was the first and principal result.

In the sphere of credit relations, the "shock" was expressed in the transition to higher interest rates, the level of which is determined monthly, starting in early 1990. To be sure, it was not possible to make the transition to real interest rates exceeding the rate of inflation—inflation was too high. The basic rate for National Bank credit was set at the level of 36 percent for January (20 percent for February through April) compared with 15 percent in December 1989. Commercial bank rates for credit range between 38 and 40 percent a month. The sharp increase in interest rates led to the lowering of demand for credit and to the striving of economic agents to pay off previously obtained credits as soon as possible. The reduction of the demand for credit was expressed in the lowering of National Bank credits from 20 to 11 trillion zlotys. On the other hand, the population's, propensity to save has been seen to increase (from 2.5 percent of income in December to 4 percent in January).

The raising of rates for all types of credit had an inhibiting effect on the economy and on price increases. Thus, three-fourths of the price of sugar at the end of January consisted of interest paid on borrowed funds.

This measure was a blow that was especially felt by peasant farms: the scale of work and purchases at the beginning of the new season was substantially narrowed, which threatened to reduce the annual volume of agricultural production. Added to this are not entirely favorable climatic conditions (little precipitation in winter and spring). The government was probably accessibly firm on its interest rate policy (20 percent for 3 months under conditions of declining inflation).

The uniform currency exchange rate and internal convertibility of the zloty. On 1 January 1990 the internal convertibility of the zloty into hard currencies was instituted on the basis of a uniform, stable exchange rate (the basic exchange rate: 9500 zlotys = $1). For 5.5-6 months prior to this, the banks had conducted an active policy in the internal currency market and initially managed to reduce the exchange rate of the dollar from 12,000-14,000 zlotys in August to 4000-5000 zlotys in October and then to raise its rate to 7000-7500 zlotys.

Since the new year, all economic agents and other legal persons have been obligated to sell their currency receipts to banks for the existing exchange rate. This provision extends to all receipts from economic activity, including activity involving foreign capital. Thus, after currency is transferred to Poland, the banks become its owners.

On the other hand, as of 1 January 1990 all Polish legal and physical persons received the right to freely purchase convertible currencies from banks according to the uniform exchange rate, but only to pay bills received from abroad (for imports of goods and services, for tourist travel, etc.). This means that they could not obtain currency in the form of cash. A special currency authorization is required to obtain cash for making payments inside the country.

The introduction of the new, higher exchange rate of the dollar in combination with the higher interest rate on deposits had a serious impact on the population (at the present time Poles have approximately $5 billion in bank accounts and approximately $4 billion in cash on hand). On the one hand, it became more profitable to keep savings in zlotys while on the other hand rising prices necessitated "devouring" part of the dollar savings. Banks regularly purchase more dollars than they sell. In January alone the population sold approximately $80 million and enterprises sold approximately $670 million out of their $2 billion to the banks.

Draft amendments to currency legislation provide for the retention of private currency exchange offices. However, these offices will not have the right to purchase currency from the bank and will be able to sell it only to physical persons. Thus, a separate private currency market will be retained in which the uniform rate of the PNB will theoretically be the lower limit of the exchange rate even though the exchange rate of the dollar in January-April 1990 was lower in the private offices than the official rate. In the opinion of Polish experts, without the active support of the National Bank, the exchange rate of the dollar might drop 15-20 percent. The government has thus succeeded in restoring confidence in the national currency and in strengthening it, and this is a major attainment. At the same time it should be noted that the convertibility of the internal currency and the new price correlations that are close to world prices create prerequisites for restricting turnover in the shadow economy that plays on the difference in the correlations of prices and the inaccessibility of hard currency.

At the same time, the introduction of partial convertibility of the zloty did not lead to changes in foreign trade. On the one hand, the inflated exchange rate of the dollar was supposed to encourage exports, but the

absence of a firm export base in industry and rising production costs associated with inflation oppose this. On the other hand, the liberalization of import rules by virtue of the accessibility of hard currency was supplemented by the establishment of high customs duties on imported goods, which necessitates the importation of only highly effective goods.

The result is the decline of supply in the marketplace, which clearly contradicts the goals of antimonopolistic policy.

The organization of economic relations. There has finally been a departure from the policy of centralized resource distribution in the direction of market relations between economic agents. The former resource distribution organs have been replaced by the Ministry of Domestic Trade which in its activity unites the consumer goods market and the producer goods market thereby eliminating the fragmentation of the single internal market.

The state in the person of this ministry operates in the market primarily like an ordinary participant. As an additional instrument, it has the right of "first purchase" of goods for which forecast balances are compiled (they number 77) for augmenting two types of state reserves.

The former are intended to assist in the resource supply of organizations in the nonproductive, noncommercial sphere, which receives up to 1.5 percent of the forecast volume of production. The latter are intended to form contingency reserves to be used in the event intervention in the market becomes necessary. All Ministry of Domestic Trade operations are conducted in market prices. Centrally established prices remain only on coal and electric power.

While the state order remains, its content is radically altered. It applies to 21 commodity groups: clothing and footwear for children and the elderly, some of the raw materials used in their production, baby food, medications, medical equipment, and a number of personal hygiene products. The state establishes the minimum size of a transaction for these groups that qualifies a transaction as a state order. The agreement is concluded between producer and customer. Prices are established on a market basis. All the Ministry of Domestic Trade does is record the transaction. The completion of a state order confers entitlement to a reduction of income tax in the amount of two percent of the sum of the transaction.

The state has thus removed from itself the responsibility for the organization of supply and the distribution of resources. Its task is to monitor the state of the market and to influence it with the help of its instruments.

Foreign aid. The Program for the Economic Stabilization of the national economy of the RP [Republic of Poland?] indicates that the participation of foreign (Western) capital is the basic condition to its realization. The given program, especially the part that pertains to structural restructuring [*strukturnaya perestroyka*] and economic growth, cannot be fulfilled without the postponement of debt repayment and interest, without the receipt of new financial resources.

For Poland's consistent fulfillment of all agreed-upon terms, the West declared that it should receive large-scale credit-financial assistance which according to the given promises may total more than $10 billion over the next 3 years. In the current year, in particular, contributions to Poland from 24 capitalist countries have formed the so-called stabilization fund of $1 billion, of which the Polish National Bank has already received $340 million for the strengthening of the national currency. Central banks belonging to the Group of 24 opened a so-called "bridge loan" for $215 million for Poland with the Bank for International Settlements in Basel.

With the unofficial agreement of Western creditors, on 1 January 1990 Poland ceased paying all debt obligations with the exception of interest on current commercial credit from private banks. According to available data, in 1990 the "Club of Paris" will agree to transfer part of Poland's debt obligations to its members (approximately $8 billion) for a period of 7-8 years. Poland is also trying to join the "Brady plan" which would make it possible to reduce by 25 percent its debt to the "London Club" (approximately 600 private banks) totaling $10 billion. However, private banks are thus far approaching Polish proposals in this area with great restraint.

It is anticipated that Poland will receive substantial financial support in 1990-1992. There is reason to believe that these funds will not be used to pay the existing foreign debt and will not be "eaten up," but will be used to alter the industrial and agricultural product mix and to make Polish products competitive.

Is This Possible in Our Country?

And so the Polish government's first steps in using shock therapy to implement economic reforms have been successful. The months that have elapsed since the beginning of the year have shown that the strict financial-credit policy makes it possible to attain the indicated goals even in a deformed economy in which the demands of economic laws were ignored in the actions of the state for a long time. In this situation, the question very naturally arises: is such an economic reform method possible in the Soviet Union?

This is a legitimate question: the processes that are presently taking place in our country are too similar to those found in Poland a few years ago. The difference in the two paths of reform in socialist countries is more and more clearly discernible: the "Polish" path, which begins with reforms in the policy sphere and is compressed in time, and the "Hungarian" path, the beginning of which was not connected with a political breakthrough and which extends over a relatively long period of time. It is also evident that the Soviet Union is following the first path and that China, for example, is following the

second. While all comparisons in this area are naturally conditional, common trends are nevertheless discernible.

And so, the events in Poland have shown that in the course of the reform it is possible to count firmly on the action of economic laws if measures directly counteracting them are not taken. This conclusion is extremely important for all socialist countries that have ventured to make systemic reforms in their economy. But at the same time, there are three points that must be approached with special caution when borrowing from Poland's experience.

First—the fact that the reform has been achieved as a result of much suffering [*vystradannost reformy*], the people's belief in it and in the government. A decade of crisis in the nation clearly showed that there was no alternative to the market, that despite the high price of such a step, it had to be taken because any other delay would only lead to the worsening of the situation and to a higher price. Attempts at gradual economic reforms in a situation where the political system changes before one's eyes have shown that at the time when the government of the PZPR was ready to risk radical change, its credit of confidence was entirely exhausted. Until that time, the nation's former leaders had believed in the possibility of easy paths and shallow reforms.

Second—the existence of a broad sector in the Polish economy where market forces have not ceased to act since prewar times. The reference is first and foremost to agriculture which has remained predominantly private all this time. The existence of a large stratum of owners in agriculture, trade and crafts has been largely instrumental in promoting the idea of the market in society.

Third—our ethnic and territorial problems that do not exist in Poland. A relatively small country with a homogeneous population that is, relatively speaking, quite deeply involved in the international division of labor and that is trying to find its place in the world economy, is a striking contrast with us. Intensifying ethnic contradictions, centrifugal tendencies associated with this in our federation, non-involvement in the world economy, and the autonomous aspirations of regions and local markets—all this faith in the possibility of building a bright future in an individual region is elevated to an absolute, and the central authorities view this calmly. (For example, the councils of ministers of the Ukraine and Uzbekistan actively support the idea of interoblast customs duties, calling them, incidentally, taxes. Indeed!) Nor can we forget the strong collectivist sentiments in our society.

There is one more point that we should not fail to mention. The sharp drop in production volume had been expected by Polish specialists, but its scale evidently proved to be far greater than anticipated—approximately 25 percent. Even more unexpected was the structure of this decline: the production of Group B' industrial products proved to be larger than in Group A.' The greater dependence of Group B' enterprises on credit resources and the small volume of own resources evidently made themselves known here. What is more, the population's physical consumption itself declined as a result of higher prices.

The program's authors are quite acutely confronted by the problem of economic growth and of enlivening economic activity. What can be done to keep the decline from developing into stagnation? How can depression be avoided? The Polish government does not as yet have the answers to these questions.

Modernization of production potential is obviously this impetus to enlivenment in a capitalist economy. Side by side with the relaxation of financial and credit measures, it leads to an increase in business activity at a new, higher level of effectiveness and labor productivity. There is no source of new equipment in Poland or in our country. Industry developing under conditions of total scarcity can at best offer yesterday's equipment and technology and even then in a very limited quantity. But yesterday's product mix is also reinforced as a result of this due to the old economic relations.

Will the "power" of foreign investments be sufficient or will the government have to implement a special program for the support of individual branches and enterprises in order to promote the further progressive development of the economy? The answer to this question is extremely important from both a theoretical and practical point of view for all socialist countries. After all, we are discussing the future of our peoples.

In summation, we can express the assumption that the path of radical economic reforms compressed in time—and that is the main feature of the Polish experience—is also inevitable for us. Naturally, this does not mean that we must directly copy Poland's experience. But when we devise a complex of measures capable of providing social protections for the Soviet people, especially its poorest strata, by providing the guaranteed minimum of the primary necessities for firm or compensatory prices, we must clearly understand that this complex of measures cannot take the place of reform, but must be its companion. Of course, the reforms will be complex, contradictory and at times inconsistent, but there is no way around this. We will have to pay in full for all our errors, old and new. But there will be the hope of seeing "the light at the end of the tunnel."

Footnote

1. It is difficult to exaggerate the significance of this step, which was the "swan" song of the former PZPR government. It took this responsibility upon itself even though it was clear that the PZPR would not be in power. The result was to "clear the way" for the new government's reforms.

Adam Smith, Russian Thought and Our Problems

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[Article by Andrey Vladimirovich Anikin, doctor of economic sciences; sector chief, USSR Academy of Sciences IMEMO]

[Text] Two hundred years have elapsed since the death of Adam Smith (who died July 1790). The mournful anniversary is being observed in the West. Of course, it is being observed in Scotland, the great economist's motherland, and even in Japan where Adam Smith is very popular and there is even a society named after him.

Understandably we will not be taking part in these observances and I do not intend to write in the old jubilee panegyric-critical style. But in the stormy sea of our economic and political discussions, in the confusion of leftist and rightist, of ultra leftist and ultra rightist ideas, it would not be a bad thing to listen to the sober voice of a man who was one of the first to try to connect economic effectiveness with humaneness. We have dire need of the common sense that was his motto and weapon.

Who says that Smith is out of date if Viktor Korchagin, president of the All-Union Association of Cooperatives, tells a journalist that he considers Adam Smith and John Stuart Mill his teachers?

Who says Smith belongs to the past if Mikhail Antonov, a publicist with NASH SOVREMENNIK, writes that Smith may be all well and good for the West, but that he is counterindicated for the Russian soul: after all, Smith considered economic life to be driven by self-interest, while Antonov believes that Russia can only be saved by disinterestedness.

Both Smithophilia [*smitianstvo*] and "Smithophobia" [*"smitoyedstvo"*] have a long past in Russian social thought. And some of the new that presently descends upon the heads of readers and listeners is some of the old that is well forgotten. It turns out that the problem of combining private and public ownership of land was addressed by Decembrist Pavel Pestel who was, incidentally, in many respects a follower of Smith. Vasiliy Bervi-Flerovskiy, a Narodnik, stated in the 1870s that the only reason for Smith's renown was Western society's tendency to "worship wealth."

This would seem to be sufficient to justify the topic of the article if such justification is needed.

I

Regardless of the meaning that is invested in the word "classical," Smith is a classic of classics. He is one of the founding fathers of economic science. This became clear to a certain degree even while he was still alive. When on his last trip to London in 1787, Smith (who lived and died in Edinburgh) entered an aristocratic hotel, William Pitt, the prime minister, stood up, thereby sending a signal to all society, and said: "All of us here, Doctor, are your pupils." (Which of the economists living today could be pictured in such a role in present-day Moscow with N. I. Ryzhkov playing the role of Pitt!?).

All world economic thought in the 19th century was permeated with Smith's ideas. While science has of course moved far ahead in the 20th century, it has not by any means abandoned his ideas but has, so to speak, assimilated and transformed them. The conception of economic man, which was most consistently developed by Smith, was the basis for microeconomics and retains this status. The same can be said about Smith's views of monopoly and competition. While the theory of value and income is probably most obsolete, who will dare to say that it does not contain traces of Smith in its modern form? Even now, macroeconomics, which really formed after Keynes, studies the problem that was posed by Smith: the degree to which self-regulatory mechanisms are operative in an economy and the degree to which they require the intervention of the state. Principles of rational taxation formulated by Smith retain their significance in large measure. The General Agreement on Tariffs and Trade (GATT) is a kind of monument to Smith's ideas on the beneficial impact of the international division of labor and free trade.

The "great schism"—the split in the social sciences into Marxist and non-Marxist schools in the second half of the 19th century—only bolstered the position of "Smith, the lucky one!" Marx proclaimed his economic doctrine to be the continuation and development of the theories of Smith and Ricardo, while Lenin elevated classical English political economy to the rank of one of the Marxism's three sources. Marxism developed the tradition of dividing Smith into the "pure" Smith—the advocate of the labor theory of value and the "exploitation" conception of income distribution and the "impure" Smith—the father of the idea of cooperation among factors of production and "factor" distribution. The path from "pure" Smith led to Ricardo and Marx and from the "impure" Smith to Say and Marshall.

When the bicentennial of Smith's magnum opus—"An Inquiry into the Nature and Causes of the Wealth of Nations"—was observed in 1976, Marxists and non-Marxists celebrated it in their own respective corners. Moscow University, that stronghold of ideological "purity," held a useful conference but, except for Soviet scholars, invited only several Marxists from socialist countries. Slightly bolder was Martin Luther University in Halle (GDR), where two non-Marxists British specialists took a part in the conference. To the best of my knowledge, Soviet scholars did not participate in measures held in the West. Naturally Smithology [*smitovedeniye*] and economic science do not benefit from this kind of sectarianism. It would be well to renounce the principle "Soviet economic science—the most class-oriented science in the world" as soon as possible.

Here is one more characteristic detail. By the time of the 1976 anniversary, British scholars published for the first time a complete six-volume collection of Smith's works. It includes his second large book "Theory of Moral Sentiments," posthumously published lecture notes and articles, and limited correspondence. This is, it can be said, an exemplary scientific publication. I recommended that the Lenin State Library and the INION [Institute of Scientific Information on the Social Sciences] library purchase this unique edition in its entirety. Both libraries bought individual volumes, some of which coincide and others do not.

Nor can we boast of our translations of Smith. "The Theory of Moral Sentiments" was published just once about a hundred years ago. The last Soviet publication of "The Wealth of Nations" (1962) suffers from serious shortcomings. The remaining works have never been translated. To be sure, "Nauka" is preparing a new scientific edition of Smith's magnum opus in economics. It is to be hoped that it will be performed at the proper level.

For decades the belief in our country was that Smith's main efforts were his theory of value and income. After all, a vast text about Smith was almost exclusively devoted to this subject in Marx's "Theories of Surplus Value." Now, this will probably be of the least interest: in our time and under the existing conditions who cares if Smith did or did not consider capital to be the exploiter of labor? One thinks of the question that students are fond of asking, partly out of naivete and partly out of a desire to provoke: if capitalists have their enterprises in the USSR, does this mean that they will exploit Soviet workers? And a Soviet worker's answer in a letter to the newspaper: let them exploit me as long as they pay more than my own state.

On the other hand, other of Smith's ideas, which Soviet thought has more or less ignored, are extraordinarily timely: the idea of economic freedom as a most important factor of effectiveness; the idea of the vital importance of competition and the ruinous nature of monopolies; the idea of the so-called "invisible hand," i.e., the existence of self-regulation in an economic system. Smith's basic thesis, which was closely connected to the ideas of English and French Enlightenment, was very simple and retains its meaning in our time. Smith said: let a man freely pursue his own advantage in economic activity and this will best promote the public good by increasing the nation's wealth. He categorically and I would say prophetically wrote that society can hardly expect any great benefit from a man who says that his actions are dictated not by personal interest but directly by the public good. To the contrary, a person who thinks primarily about his own benefit is a socially useful person: he sows grain in order to sell it for a higher price, he makes shoes or lays bricks to order for his clients. The most important principle is that the public good here is directly proportional to his income. This logic can in principle be extended to enterprise, to their owners, to managers, and to the work force.

But this principle is realized only if there is sufficiently significant competition. What is more, it applies to economic units of any dimension—from the person who engages in what we now call "individual labor activity" to large enterprises with any form of ownership. Smith believed that monopolies destroyed this remarkable mechanism of correspondence between personal and social interests because they make it possible to obtain higher income not as a result of more productive labor or the more skillful management of an enterprise or more sophisticated technology, but a result of privileged position in the marketplace. These are, of course, truisms, but then every such truism was at one time the latest word in science.

In his examination of the accumulation of capital from surplus value in the first volume of "Capital," Marx quotes Smith and interprets him figuratively: "Accumulate, accumulate! That is what Moses and the prophets are all about!," i.e., that is the first commandment of bourgeois society. But Marx views the entire question from one point of view: the exploitation of workers by capitalists. There is little of the national economic aspect of accumulation here.

The capitalists have disappeared from the Soviet economy, but "Moses and the prophets" have remained, only they have become more stern and less able. For decades the stably high norm of national economic accumulation was considered an "advantage of socialism." While capitalists were practically the only ones that were capable of accumulation in the capitalist system of the time of Smith and Marx, in the USSR the function of organizing accumulation was naturally assumed by the state and was realized with the most extreme forms of coercion: direct and indirect taxes, requisitions from collective farms, the confiscation of enterprises' profits, involuntary loans from the population, and the semicoercive accumulation of savings, to say nothing of slave labor in the gulag. The negative consequences of this to the economy and the people's psychology are still felt.

The attitude of Soviet science and practice toward loan interest is related not to the enlightened Smith but rather to medieval scholastics who considered it the spawn of the devil. But an economy cannot function effectively without the active role of interest, without the transformation of accumulation (in the monetary stage—savings) into a voluntary market process. I believe that Adam Smith could explain this to economists in the age of "developed socialism" even though he lived in a country that was still semifeudal.

II

To all appearances, the first time Smith's name was mentioned in print in the Russian language was in 1768 when S. Ye. Desnitskiy, one of Smith's former students at the University of Glasgow, who was at that time an extraordinary (i.e., acting) professor at Moscow University. In a 1772 work, Desnitskiy called Smith a "great

philosopher," which hardly has such early analogues in West European literature. Desnitskiy regarded Smith not so much as an economist as a philosopher-ethicist and sociologist. But in the same year I. A. Tretyakov, another one of Smith's former students at the University of Glasgow, published a work which, without any mention of Smith's name, presented his early economic views that were later expanded into "The Wealth of Nations." (I mention parenthetically that the government of Empress Yelizavetna Petrovna was sufficiently progressive and daring to send young people to the West to obtain a full university education in the social sciences. It appears that almost two-and-one-half centuries later, we are again returning to the understanding that this is a worthwhile matter! For God's sake: better late never.)

Smith's influence in Russia was significantly strengthened in the last quarter of the 18th century partly owing to certain influential people belonging to the enlightened aristocracy such as S. R. Vorontsov, Russia's ambassador to England, and Admiral N. S. Mordvinov. At the very beginning of the 19th century, this was manifested in two important facts in the history of our social sciences: In 1801 Professor Kh. A. Shletser presented the first course in political economy in Russian at Moscow University (at that time, Russia did not lag behind: in Edinburgh itself, this subject became a university subject in Western Europe for the first time in the same year), and the first Russian translation of "The Wealth of Nations" was published in 1802-1806.

This translation was very bad and could be regarded as a collection of curiosities. Nevertheless, its significant in the development of Russian thought was considerable. And, indeed, we cannot laugh at our ancestors. In 1964 we published the translation of Paul Samuelson's "Economics" in which the translators confused Walras, the Franco-Swiss economist with the Walrus from "Alice in Wonderland." I have to admit my personal responsibility as one of the editors of that book. It would be well if that were the most serious error in the book but I fear that is not the case.

Russian Smithophilia [*smitianstvo*] in the first quarter of the 19th century was an extremely curious phenomenon in the history of social thought. It was reflected by Pushkin. Without it, the Decembrists' ideas cannot be understood. On the broadest plane, this phenomenon can be explained by the development of a situation in society, the main feature of which was the feeling of the need for reform. This need was recognized by all thinking people, but the character and radicality of their demands ranged from encouragement to industry and banking institutions (Mordvinov) to revolutionary reforms (the left wing of the Decembrists). The highest authorities were thinking in reform categories (the draft constitution of 1818-1890, plans for abolishing serfdom). In some cases proposals by moderate Decembrists were not too far away from what was being born in tsarist offices.

(At the risk of breaking the thread of the discussion, I will say that in the light of our present needs the problem of studying the experience of political and economic reforms especially in 19th and 20th century Russia has acquired exceptionally great importance. Public interest in reforms of the 1860s, in the Stolypin reforms, in NEP [new economic policy] is common knowledge. A special department should be established in history and sociology and should be called, for example, reformology.)

If the French Enlighteners comprised the political basis of the reform ideology, Smith comprised the economic basis. To Smith, economics and politics were inseparably intertwined and the idea of political democracy was no dearer to him than the idea of economic freedom.

The very first attempt at applying Smithian political economy to Russian conditions revealed an extremely profound problem that excited Russian thinkers all the following century and that is still a most acute problem for us today. This is the problem of the compatibility, contradiction, compromise, etc., between economic effectiveness and social justice. It was perhaps even more acute in Russia than in the West because the humanistic current was always especially strong in Russian socioeconomic thought.

The heart of the matter, as we know, is that the market system tends to amplify economic inequality and to generate sharp conflicts between wealth and poverty in extreme forms. What degree of inequality is society prepared to permit as the price to be paid for economic effectiveness and progress that—at least in the present stage of the history of mankind—can be secured only by the market system and no other?

Pestel's agrarian project was a remarkable attempt to find a solution to this dilemma. After a successful military revolution, Pestel planned to carry out the following land reform: to divide all cultivated land into two approximately equal parts: public and private. Public land could obviously be formed from the state land fund and also by confiscating part of the land owners' holdings. This land was to be divided equally between all inhabitants and to be removed from civilian use—its purchase and sale were prohibited. The result was something in the nature of an improvement in the traditional peasant commune. Pestel expected improvement in the social and moral health of the people from such an order but he did not expect a high degree of productivity. He was prepared to sacrifice a certain amount of effectiveness for social justice: after all, a person's loss of his land allocation was the extreme degree of injustice for that time.

Pestel hoped for high agricultural productivity on private land where farming would be conducted "according to Smith"—with the unlimited action of laws of the market economy including the possibility of buying and selling land and of hiring workers.

Was all this really practicable? Hardly. But this is not what concerns us at the present. We are more interested

in the very idea of combining Smithian economic freedom with Russian communality. It was this question that also confronted the first Russian socialists, Hertzen and Ogarev several decades later. They viewed the political economy of their time as a justification of capitalism and rejected the applicability of its principles to Russia. They nevertheless attentively heeded economists arguments that the commune did not create incentives for highly productive labor and, strange as it was, did not attempt to refute them. They essentially preferred egalitarian poverty in a commune to capitalist progress in agriculture. N. P. Ogarev wrote: "We do not have to pose as a dogma the destruction of the commune in order to improve agriculture. We must rather ask how agriculture can be improved under the communal system?"

The question stands to this very day. If the collective farm really has the potential for higher productivity, how can it be realized? Hence the question that is literally of vital significance: does the kolkhoz system have a future? It is not known today which is more dangerous: to preserve or to destroy it. If we do neither one nor the other, it must be reformed. But how?

The Russian Narodnik movement, whose fathers were Hertzen and Ogarev, was naturally negatively disposed toward Smith and all subsequent bourgeois political economy and made no substantial distinction between them. Narodnik critics frequently lumped Smith together with Malthus, which injected a strong current of antihumanism in the views on Smith. Among them was the popular idea that this political economy was decided unsuited for Russian with its traditions of collectivism and communality. Smith believed in the existence of objective laws in the development of human society in accordance with which, in particular, capitalism (he called it a "mercantile society") originates and grows stronger. This was also displeasing to the Narodniks with their belief in the possibility of altering the path of social development by the decisive actions of "critically thinking individuals."

Quite paradoxically, the early Russian Marxists in the 1870s-1890s "defended" Smith against the Narodniks. Reading the materials of Russian economics discussions at the end of the last century (they are relatively more widely, if one-sidedly known to us through the works of V. I. Lenin), one is astonished at the important place that foreigners, who are long since dead and partly forgotten in the West, occupied in them. Sisimondi against Smith (more precisely, Smith transformed by Ricardo and Marx)—thus can the essense of the matter in disputes between Narodniks and Marxists be formulated.

The classical Russian question of the **choice of path** has possibly never been as acute on an intellectual plane as it was during that period. The knight stopped his horse or perhaps the coachman halted his troika (we recall Gogol) at the crossroads. The road of liberal capitalism forked to the right following the Western "Smithian" model. The road of Marxist socialism forked to the left. In between them was the road (the Marxist did not believe that it existed) of peasant, Narodnik quasisocialism. Also visible somewhere was the trail of social democratic, moderate reformism that turned into a large highway in the West. Finally, it was also conceivable to preserve the status quo—semifeudal capitalism with an autocratic monarchy—but the great majority of participants in the discussions at that time were convinced that this path would lead to a cul-de-sac.

I think that if such a poll had been conducted among the Russian intelligentsia in 1890 (even in 1900 or 1910!), a very modest minority would have spoken out for Marxist socialism. But history decided the matter specifically in its favor. The question of whether the Stalinist and post-Stalinist system distorted or developed Marxist socialism has become the subject of the most active discussion in the last year or two.

After 1917 the "choice of path" at all historical crossroads was made at the top. This is to a certain degree also true of the present "fateful" stage when, as is known, the party leadership was the initiator of perestroyka. One would like to know who else could come forth. Perhaps a professor from a provincial institution of higher learning such as Yevsey Liberman? After all, he indeed spoke out during Khrushchev's time, but the volume of the "Ekonomicheskaya entsiklopediya" [Economic Encyclopedia] that was published in 1975 preferred to make no mention of this episode whatsoever in his biography.

The figure of Smith with his curled wig is seen in Liberman's projects involving the rationalization, marketization, and commercialization of our command-bureaucratic economy. It is much more clearly apparent in today's maelstrom of reforms, events, and ideas. First, the market-type reform has become a reality to one degree or another. Second, for the first time since the revolution the path that has been chosen as a result of the internal logic of development is the cause of significant masses of people. When problems of personal interest and public good, the plan and the market, and prices and taxes acquired the same acuteness, many ideas of the founding father were suddenly not devoid of timeliness.

III

At the historic First Congress of People's Deputies in the summer of 1989, Gorbachev said that mankind had not conceived any more effective and democratic mechanism for managing the economy than the market. A few years ago a university political economist would have been fired and possibly expelled from the party as well for making such a statement. Gorbachev was seconded by Ryzhkov who emphasized that the elimination of monopolism was the condition to successful economic reform. While he might not have been fired and expelled for this, he would have been treated with very great suspicion. Adam Smith would have willingly signed his name beneath these statements.

There was a certain sad irony in the fact that V. A. Starodubtsev, a collective farm chairman and deputy to

the Congress, urged the priority of agriculture as the basis of general progress, supported the decisive role of personal interest in the economy, spoke out against monopolism of the suppliers of agricultural equipment and cited Marx as the confirmation of his theses. This is natural: for decades institutions of higher learning and textbook authors have drummed it into millions of people that there is no other economist than Marx. In reality, however, all three of Starodubtsev's theses could be associated with Smith to one degree or another.

Of course, Smith should not be called to account for our reforms, for government and nongovernment-centrist economic programs as they have been forming of late. The type of people that develop and express this ideology are infinitely remote from the Scottish thinker of the century before last. Their goals, methods, and education have nothing in common with Smithism. These people would probably be surprised and might begin to protest if they heard that the antedeluvian Adam Smith was in any way related to them.

But on the other hand, the duration and remoteness of the influence of political and socioeconomic ideas are one of the most astonishing phenomena of human culture. There comes to mind here Keynes' famous pronouncement in the final pages of "General Theory" in which he says that "the ideas of economists and political thinkers—when they are right and when they are wrong—are more powerful than is usually thought... Practical people who consider themselves totally unaffected by intellectual influences are usually the slaves of some economists of the past." And so forth. Read it for yourselves.

Whether intentionally or unintentionally, in her "Ogonek" interview, Prime Minister Margaret Thatcher used almost Smithian language in her discussion of Soviet economic programs and reforms. She essentially said that we had to proceed more boldly in the direction of the market and economic freedom. In the West this is called conservatism. In our country it is called liberalism and radicalism. This is also a paradox!

Incidentally, other voices are also heard "from behind the knoll" (as the customary expression now goes with an attempt at humor). J. K. Galbraith, the liberal of liberals, reminded us that the modern Western economy does not by any means work according to Smith and warns: "Those who talk about a return to Smith's free market err to such an extent as to resemble people afflicted with a clinical mental disorder."

As is already understandable from what has been said about terminological paradoxes, these sharp words can apply to Western conservatives (right-wingers) and to our extreme liberals (leftists). Whether or not according to Galbraith, Soviet government economists are trying to formulate a middle course: a little economic freedom, but with central planning; greater flexibility of prices and incomes, but without the risk of sociopolitical upheavals; elements of the manpower market, but without visible unemployment and unemployment compensation. It appears that Poland and Hungary are "closer to Smith" in this sense. Who is risking more?

Common sense was Smith's idol. And today as well, the use of common sense moved people toward his ideas. The laissez faire, laissez passer principle will evidently exist as long as human society exists. Very intelligent people say to the state: Do not interfere. Allow everyone to work according to his ability and desires. Limit your planning' to the collection of taxes and taxes that are not too high at that. Such arguments can be heard in vivid, original form from Fedorov, the eye surgeon; from Amosov, the physician-academician; and from Feoktistov, the cosmonaut. This could be called "naive Smithism." This is naturally to the liking of anyone in our country who is sick to death of the command-bureaucratic system. But here there is a serious constraint that is mentioned by Galbraith and that is discussed in various contexts in Soviet literature: the more or less pure market (this means—Smithian) economy in the West which was departing this life and which virtually led the West to socioeconomic collapse 60 years ago during the years of the Great Depression. Is a return to it from our centrally planned economy conceivable and desirable? These are the hard questions of our present and immediate future.

Also natural is a phenomenon that can be called "naive anti-Smithism." As an example I would cite the article by academician V. Semenikhin in PRAVDA on 10 April 1989 which basically objected to the reduction of the role of centralized planning, in any event, in complex production. Contrary to the practice of Western economies and even contemporary theory of large systems, the author believes that the economy should be managed not by the market, but by a certain supermodel that would make its recommendations "based on the firm foundation of scientific prevision." Academician S. Shatalin (IZVESTIYA, 26 June 1989) properly interpreted this as an appeal to turn backward, to the pre-perestroyka economy.

In connection with the catastrophic shortcomings of the Soviet tax system and the discussion of reform in this area, economists have recalled Smith's famous four principles of healthy taxation: taxes must correspond to incomes; their size and the mode and the time of their payment must be precise and definite; tax must be levied in a way that is most convenient to the payer; and the collection of taxes must cost the state as little as possible. I note, incidentally, that these principles were first examined in Russia in 1818 in N. I. Turgenev's work "Opyt teorii nalogov" [Tax Theory].

Ye. Mayburd, the author of an article in LITERATURNAYA GAZETA (no 33, 1989), states that all four principles are violated in Soviet personal income tax practice. The greater part of the budget revenues consists of indirect taxes that are included in the price of goods and they are by their very nature regressive, i.e., strike relatively harder at the pocketbook of poor people rather

than the rich. What is more, the existing system of direct income taxation plays into the hands of dealers in the shadow economy. When a taxpayer buys a good, he has no idea of what tax he is paying and this information is essentially inaccessible to him. Such a method of tax payment cannot be convenient to the payer. Finally, this system of taxes, which is connected with the price system, cannot be inexpensive to society since it results in speculation, the black market, etc. It is possible in some degree to disagree with the author but the question is properly formulated and the reference to Smith is noteworthy.

Economic publicistics of the last 3-4 years has been a remarkable phenomenon. I believe that its best models, articles by N. Shmelev, V. Selyunin, G. Popov, Yu. Chernichenko, and possibly a half-score of other authors will outlive our time. In both our history and in foreign history, it is difficult to find an analogue to this wave of publications and their warm reception by an audience numbering in the many millions. In my opinion, it is time to write a dissertation about this dissertation in economic, historical, philological and in other sciences, which ones I do not know.

While in the main supporting the party-government line of Gorbachev-Ryzhkov, economists and publicists have most urgently raised the question of the insufficiency, timidity, and half-hearted nature of the reforms, of the *de facto* preservation of vestiges of the command-bureaucratic system, of the tragic gap between the law and practice. They perform a most important positive function, even if by no means always successfully, urging the nation's leadership and public opinion "leftward," in the direction of more radical reforms. This literature unquestionably contains many illusions, utopias, delusions, and even absurdities. But its positive side far outweighs such elements.

What do the authors in this group, who also have many supporters in academy science, have in common? Faith in personal interest and the market, in the competition of different forms of property and the real independence of enterprises, free price formation, and generally closer ties with the world market. There is no place here for a more detailed discussion of the content of these programs, to say nothing about differences of individual authors.

What are the scholars and publicists of this school called? Liberals because this word, which was undeservedly compromised at a time, has a noble root—"liberty." Radicals because they favor deeper and earlier reforms. Leftists because they are all almost without exception in favor of political democracy and against the violence of the notorious apparatus. Marketeers (also a pejorative until recently) because the market indeed occupies a key place in their programs. While again stating that I oppose the artificial construction of genetic relationships, I must nevertheless state that we can trace a certain kinship with Smith along all these lines. Economic liberalism was the core of his entire philosophy. He was a radical for his time because he very sharply posed the question of breaking with the old (semifeudal) institutions. Politically, Smith was a consistent Whig, i.e., a leftist in the political spectrum of the time. Finally, the market was for him the basis of a rational economic system and of economic theory.

Nor is it by chance that the ever greater attention of Soviet economists is attracted by contemporary followers of Smith in the West such as Nobel Prize winners Friedrich Hajek and Milton Friedman. Incidentally, the "Economic Encyclopedia" says about the former that he "grossly distorts the theory and practice of communist construction," and about the latter that his conception reflects "the interests of the conservative circles of the monopolistic bourgeoisie. How simple and convenient everything was 10 years ago when this volume was published!

Having built command-bureaucratic socialism with unheard-of sacrifices, we must now dismantle it. Again the question of sacrifices arises. What degree of economic inequality, what rates of inflation, and magnitude of unemployment can the population (so as not to use the loud, multiple-meaning word: people) tolerate? Not only conservatism, but this problem as well makes it difficult for the leadership to adopt the liberal program. However, if the liberals do not agree with the centrist leadership and its official economists headed by L. I. Abalkin on the time and radicality of the reforms, their relations with the conservatives are fundamentally conflicting. On the other hand, the struggle of the conservatives against the liberals can easily become a struggle against reforms.

There is bureaucratic conservatism represented by civil servants and enterprise managers that find it difficult to reorient themselves toward the market. They unquestionably exert a strong pressure on the country's leadership "from the right" and are evidently the most important force that hinders the effective implementation of the reforms. Resistance to this force is to a considerable degree passive, but this does not by any means make it weak.

The second type of conservatism is more ideological and therefore interesting. It is connected not so much with the command-bureaucratic system as with the traditions of pre-Marxist and non-Marxist thought. This is neo-Narodnik, nationalistic conservatism. Conservatives of this type predict that the reforms will fail because they are against the Russian people's collectivist spirit. Government reformers and especially literally liberals are supposedly forcing the principles of individualism and cosmopolitanism, the striving for enrichment and lack of spirituality that are alien to this people.

M. Antonov, the most notable economic publicist of this school, writes with a tinge of boastfulness that "German economist F. List has juxtaposed national political economy against A. Smith's cosmopolitan political economy" (NASH SOVREMENNIK, no 2, 1989, p 142). It is a very typical juxtaposition that has been repeated more

than once in the history of economic thought! But of course it did not occur to List to object to the market and the striving for profits and economic inequality. These motives stem rather from the Russian Narodnik movement.

Conservatives are inclined to ignore the enormous significance of the problem of optimal compromise between effectiveness and equality (justice), obviously assuming that the collective mode of labor organization is in itself a manifestation of "effectiveness." In the area of international relations, they are critical toward the line of integration into the world economy and brand the borrowing of foreign capital as a new "debt slavery."

Nevertheless, on the whole neo-Narodnik ideas about a "truly collectivist" and "people's" economy are so shaky and vague that it is simply impossible to present them in any manner of tangible action program. They are probably more utopian than the ideas of the Narodniks of the past century: then there was truly a peasant commune, a workers' artel, and craft production. Where is all this today?

Military Reform Assessed

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[Article by Georgiy Melorovich Sturua, MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA commentator at the USSR Supreme Soviet: "The Peripeteias of Military Reform"]

[Text] "The party considers it its duty to see to it that our Army and Navy, which have rendered such great services to our motherland, successfully resolve the tasks confronting them in contemporary conditions. For this, it is necessary to aim for military reform—based on a new defensive doctrine and on the principle of reasonable sufficiency." This is a quotation from the draft CPSU Central Committee platform for the 28th party congress. Fortunately, the tradition which was typical of not so long ago and according to which written materials were started and concluded with excerpts from directive documents has now gone out of fashion. My decision to resort to this obsolete political stylistic device was dictated by the genuine significance of this excerpt, which has opened up a new stage in the perestroyka of interrelations between the Army and society. The draft platform was published on 13 February 1990, but shortly before that, the previous December, the following was stated quite unambiguously at the All-Army Assembly of Officers: We do not need military reform.

Of course our military leaders did not deny the necessity of serious transformations in the Army and Navy. An article by Defense Minister D.T. Yazov, which was published that same December in KOMMUNIST, contained a direct indication that a course was being pursued toward a radical perestroyka of the Armed Forces. However, the term "military reform" seems to have been totally unacceptable to the leadership of the military department. It was unacceptable, evidently, because it was associated with changing the method of manpower acquisition and with giving up the principle of universal military service which is currently in force.

It was probably the first military reform of 1924-1925, as a result of which the Red Army's numerical strength was reduced to 560,000 men from 5.5 million in 1920, that the military leadership recalled as the most vivid example of military reform in the Soviet period of our country's history. It adopted a territorial-militia system of manpower acquisition, and national military units began to be created in the Ukraine, Belorussia, and the Transcaucasus. The command and control apparatus was sharply reduced in the center and in the provinces—by one-quarter and one-third respectively.

In other words, the notion of "military reform" filled the somewhat abstract idea of perestroyka with specific content, an idea which had in many respects acquired the character of a slogan. Military reform presupposes something greater than a situation in which, as V.N. Ochirov, deputy chairman of the USSR Supreme Soviet Committee for Defense and State Security put it, high-ranking chiefs arrive in military units and demand to know what percentage of servicemen have already been restructured.

The leadership of the Armed Forces is much more inclined to speak about the "denigration campaign" aimed against the Army than about its truly grave problems. However, no actual past merits can serve as an indulgence for the Army or provide it with a justification for shutting its eyes to numerous negative phenomena. "...In recent years," as a general and USSR people's deputy said, "serious shortcomings in the organization of combat and political training have become obvious in the Armed Forces. Excesses in cadre policy have been tolerated. Military thinking has become constrained by dogmatism and stagnation. Conservative ideas have prevailed whereas new and bold approaches toward military science and in organizational development of the Armed Forces have been rejected. The deterioration of military discipline, the increase in the number of accidents involving technology and armaments, the unseemly conduct of some officers, and serious shortcomings in the performance of combat duty—these are circumstances which could not fail to affect the Army's authority." Many people who are familiar with the life of the Armed Forces and with problems of military security agree with this assessment. However, how can it be correlated with the opinion of a military writer whom I respect, a writer who asks a rhetorical question: "Is it not because today the Army is the most politically united and morally healthy part of our society that it is being subjected to harsh criticism." However strange it may

seem, I have taken both quotations from one and the same article by Army General V.N. Lobov.

A review of publications over the last five years inevitably makes one think that the Ministry of Defense has staged an all-round defense, fighting off any attempts by the "uninitiated" to get to know how efficiently peoples' money is being spent in the military sphere. An involuntary comparison suggests itself here with the attitude of the KGB leadership which is striving to conduct a constructive dialogue with the general public or at least to change its image; this comparison does not favor the Ministry of Defense. In March 1990, the KGB chairman received a group of USSR and RSFSR people's deputies and discussed with them a number of proposals on the fate of the committee's [KGB's] old building on Dzerzhinskiy Square, proposals which amounted to a possibility of dismantling this building or handing it over for use as a museum. It is difficult, even by overstraining one's imagination, to picture a similar meeting at the Ministry of Defense at which the questions discussed, although of much more modest significance, would also agitate public opinion; for example, the financing by the ministry of dozens of hunting grounds which have nothing to do with raising combat readiness and which consume millions of rubles [R] of taxpayers' money, or the building of luxurious summer houses [superdachas] for senior command personnel at a time when 173,000 families of officers, warrant officers, and naval warrant officers do not even have apartments.

A well-known military proverb says that offense is the best defense. Military leaders have habitually rejected criticism on the grounds that it comes from incompetent people who have never served in the Army and who do not know its specific features. In 1989, that is to say in the year of the first elections of USSR people's deputies and of the first sessions of the transformed USSR Supreme Soviet, the discussion of Army problems acquired a new dimension which rendered such counter-accusations groundless. Young officers, overcoming the screening of preelection meetings, made their way into legislative organs. Getting rid of the perfectly natural timidity in the face of marshal's stars and protected from the displeasure of those holding higher ranks and positions by their mandates as deputies, these young officers have waged a vigorous struggle for a genuine perestroyka within the Armed Forces. Colonel A.V. Tsalko (he was elected cochairman of a military deputies' club) who knows more about Army life than what the radio program "Serving the Soviet Union" can offer, stated: "It is really no longer a secret that the Army is afflicted with the same social ills from which the whole of our society is suffering. It is another matter that to a certain extent, criticism of negative phenomena offends Army leaders who invariably identify themselves with the Army as a whole. Hence the persistent desire not to wash their dirty linen in public and to conceal from the broad masses everything which is taking place behind the fences of military units and in the offices of the Ministry of Defense itself."

The general public pinned great hopes for the advancement of reforms upon the Committee for Questions of Defense and State Security which has been set up for the first time within the framework of the USSR Supreme Soviet. The committee's sluggish activity has not so far justified these hopes. It is not so much the matter of its composition—hardly one-half of those on its list attend its sessions—or of its inactive leadership. It appears that the committee's troubles are in many respects rooted in the nature of our parliament and its real place in the structure of power. No wonder that the organs responsible for our country's security do not yet see a worthy and equal partner in the committee. The initial enthusiasm of a number of its members who had wanted to work in real earnest has begun to fade away somewhat. In conditions where there is neither an independent informational and analytical infrastructure nor real authority, a decree on the committee having not yet been elaborated or approved, enthusiasm is the only propellant capable of setting into motion its insufficiently well-adjusted mechanism.

Officer deputies who remained outside the committee and who unsuccessfully tried to at least introduce several energetic members into it, if not to renew its composition ahead of time, decided to independently undertake formulating a conception of military reform. The first four-page document signed by 20 military deputies had been prepared by the Second Congress of People's Deputies. The secretariat, in violation of the regulations, initially refused to make it public, referring to the instructions not to publish it—according to Major V.A. Yerokhin, a deputy. In the end, the material on military reform was made public and was thus given the status of an official congress document. On 4 January, immediately after the New Year holidays, the "defense" committee's Subcommittee on the Armed Forces adopted a decision to create, on the basis of an initiative group, the Commission for the Preparation and Implementation of Military Reform in the USSR; the commission was headed by Major V.N. Lopatin, a people's deputy.

Soon afterwards the CPSU Central Committee plenum adopted a platform for the 28th congress which also included a formulation on military reform—it was quoted above. After its legalization by high party officials, this term enriched the vocabulary of our military leaders. At the end of February the minister of defense advised that the "question of elaborating an integral conception of reform has shifted onto a practical plane," and that a special commission had been created to work out a conception for Armed Forces organizational development over the period between 1991 and 1995 and until the year 2000. The commission included representatives of the USSR Supreme Soviet, the CPSU Central Committee departments, the USSR Council of Ministers, the Ministry of Defense, and other departments and institutions.

In his February interview in PRAVDA, the minister of defense outlined the parameters of military reform. As

the minister asserted, all defense organizational development, the organizational personnel structure, and the Armed Forces' equipment are to be brought into line with contemporary USSR policy in the sphere of security and military doctrine; extensive methods are to be superseded by intensive ones in resolving tasks of defense; and Army life is to be profoundly democratized. It is planned to combine cadre organization with universal military service and to adhere to the USSR-wide principle of manpower acquisition in the Army's organizational development. By virtue of the fact that by the middle of April, when V.N. Lopatin's draft conception of military reform was presented for consideration to the Subcommittee on the Armed Forces, the above general principles had not been further interpreted, an objective comparison of the two conceptions proved to be impossible. At the same time, discrepancies had already revealed themselves at that stage in connection with the Armed Forces' method of manpower acquisition.

V.N. Lopatin's commission—it included several experts as well as people's deputies—has performed an important task. It has most thoroughly studied more than 2,000 typewritten pages of reference and analytical materials. Specialists from seven institutes of the USSR Academy of Sciences, three military academies, and four institutes of the Ministry of Defense participated in the preparation of these materials. The commission has also made extensive use of the materials of various public organizations. The commission's document was analyzed and generally approved at a meeting of officer deputies.

At the same time, it should be emphasized straightaway that not always and not everywhere did the commission's activity meet with support and understanding. Two of the country's central military academies—the Military Academy imeni M.V. Frunze and the USSR Armed Forces General Staff Academy—refused to cooperate with the commission. More importantly, the commission has found itself in a situation which is no better than that of the USSR Supreme Soviet "defense" committee. It has never received the necessary data from corresponding departments which are zealously protecting their monopoly of information.

The first discussion (there were two of them altogether) of the document prepared by V.N. Lopatin's group by the Subcommittee for the Armed Forces revealed a certain lack of understanding of its character. Many of those who spoke regarded it not as a draft conception but as a draft program for the implementation of military reform. Of course the commission did not possess either enough power or authority or time to undertake drawing up a detailed program, and therefore it did not even contemplate doing so. It seems to me that the commission's main task consisted of stimulating the activity of executive authority in compiling a program for military reform, in introducing some bold ideas into active circulation, and in involving the USSR Supreme Soviet more deeply in solving the topical problems which confront the country's Armed Forces today.

The main difficulty lay in the need to outline the scope of military reform on literally a few pages, and notwithstanding that to convince others of its expediency. From the very beginning, V.N. Lopatin's commission was placed in an extremely difficult situation not only because the problem of military reform is not a simple one, but first and foremost due to the fact that it had become involved in the whirlpool of political struggle which sometimes took on primitive and vulgar forms and involved the pinning on of labels. The very fact that people's deputies showed initiative was perceived with a lack of understanding: Aren't they dealing with a task which is not the business of parliamentarians, and aren't they encroaching upon the prerogatives of executive power?

An analysis of the experience of a number of democratic countries such as, for example, the United States furnishes the following model for the elaboration of such reforms. The president entrusts an independent commission made up of authoritative public figures with preparing a report in which they must set out in writing their views on reform. Simultaneously, those departments which have to implement it are also entrusted with corresponding elaborations. The Congress initiates large-scale hearings in the course of which certain ideas are approved, argumentations and evaluations tested for soundness, and a set of alternatives constituted. Then all the materials come up before the president in whose apparatus the draft reform ultimately acquires a complete form, taking into account the state of the balance of political forces, economic potential, and public opinion. After the document comprising budgetary allocations is approved by the president it is forwarded to the Congress. There it is analyzed and is approved or rejected precisely as a budgetary inquiry. Such political and legal procedure makes it possible to reveal polar points of view and find a compromise between them.

It is precisely the excessive departmental bias in the process of formulating the main trends of military reform (not to mention the well-known attitude toward it on the part of these departments) which has largely motivated the group headed by people's deputy V.N. Lopatin to take the initiative.

The report prepared by the group is not lengthy—15 pages altogether—but it would have only benefited from being even shorter if all the particular issues it contains had remained outside its framework and its attention had been focused on the main issues. The main issues in the report are the priority of political leadership in the defense sphere, the task of bringing all military structures into line with the norms and principles of a rule-of-law state, the transition to Armed Forces manpower acquisition on a volunteer basis, the creation in their structure of national-territorial units of ground forces and a system of professional reserves on the territorial principle, and a reorganization of political organs into a special sociopsychological service.

At the same time, the attempt undertaken to outline the integral conception of military reform evokes a natural desire to specify its fundamental initial premises: How does it picture a world in which the "cold war" has ended and a united Europe is being born; how is the country's future and in particular its national-state structure seen; what is the conception of the country's security; what should interrelations between the Army and the state be like; and so on and so forth. Finally, military reform being adopted for years ahead will have to conform to a new USSR Constitution, the character of which is not yet clear.

An explanation of these premises would in all likelihood lead the talk far away from military reform as such. Therefore it seems that V.N. Lopatin's group did not have to try and impart an aspect of completeness to their search for an optimal variant. It is not by chance that reference to a number of components of reform which had been passed over in the document was one of the areas of criticism which was heard in the course of discussions in the Subcommittee for the Armed Forces. Strictly speaking, the very character of the document invited such criticism.

A number of points in the draft gave rise to a quite predictable objection. Is it conceivable, some people said, to form national armies given such a heated atmosphere in interethnic relations? This is a purely rhetorical question. Of course it is unreasonable to throw a match into a barrel of gunpowder. On the other hand, however, nobody is proposing to implement the idea of national units outside the general context of resolving interethnic conflicts. In my opinion, creating at least certain prototypes of national units is a natural process. Its inevitability is attested to by the strivings of a number of republics to achieve a situation in which their conscripts would do their military service on the territories of their own republics. The zigzags of perestroyka have repeatedly shown how, for example, in the case of Article 6 of the Constitution, insensitivity with regard to the ideas which have captured mass consciousness and a delayed reaction to them are only capable of bringing public moods to a boiling point.

An animated discussion also arose in connection with the problem of the "depoliticization" of the Army. As far as can be judged, the participants in the discussion were unanimous in the opinion that this should primarily be understood as a ban on the activity of parties and other political organizations directly within the Armed Forces, but one which does not infringe upon the constitutional right of servicemen to be members of a certain party. Judgments were voiced in the Supreme Soviet to the effect that the Army's depoliticization also presupposes the need for those who have been elected to legislative assemblies to leave military service.

The preliminary plan of V.N. Lopatin's commission to complete military reform within four or five years has naturally given rise to doubts. Such a short period of time, which finds no corroboration in world experience, seemed unrealistic.

The core of the proposed draft of military reform—transition to a volunteer principle of manpower acquisition—was adopted without any particular objections. Evidently a time has passed when criticism of this idea could be based on demagogical deliberations to the effect that army service is a sacred patriotic duty and that it is improper to attach financial interest to it—how can one reconcile this approach with the existence of highly paid generals?. Nor is it possible to drown the idea of a professional army by deliberately confusing this notion with that of a mercenary army into which foreign citizens are usually enlisted. In the final analysis, the thesis that only three NATO countries—the United States, Canada, and Great Britain—have their own professional armies does not prove to be entirely correct. The Armed Forces of other NATO countries are brought up to strength in the same way as ours, on a mixed basis, and paid professionals account for 72 percent of all servicemen in Denmark, 68 percent in Belgium, 52 percent in the FRG, and 45 percent in France.

So far, paid professionals account for 28 percent of our Armed Forces. However an increase in this percentage has already been planned. The Ministry of Defense has decided to carry out the following experiment in the Navy: to conclude three-year contracts for employing specialists to fill some positions as sailors and petty officers. The trend toward professionalization reflects the objective demands which more sophisticated military technology is making of servicemen. Strictly speaking, V.N. Lopatin's commission has also proposed that a completely professional army be created not at once or the next day but stage by stage, starting from contract recruitment to the most prestigious and technically equipped armed services and combat arms—airborne troops, the Navy, the Air Forces, and the Strategic Rocket Forces.

The question of financing the projected reform of the Armed Forces has remained unclear. V.N. Lopatin's commission had certain assessments at its disposal, for example those made at the military financial and economic faculty (its workers have estimated that given fully professional Armed Forces with a numerical strength of 2.5 million it will be necessary, according to the article "Keeping the Army and Navy," to allocate annually between R18 and R19 billion which is slightly less than is spent today on keeping our 4-million strong Army). The commission has quite correctly decided not to give specific figures because it has realized their approximate nature, and hence their vulnerability. It has limited itself to pointing to the main sources of potential economy, and accordingly of financing a professional army: a significant reduction of the numerical strength of Armed Forces personnel and of arms production; an increase in the accident-free service life of military equipment; a decrease in the number of military training institutions (by way of comparison there are only four of

them in the United States and about 200 in our country); abolition of intermediate management organs; and so on.

At the same time, in his speech V.N. Lopatin mentioned quite significant changes in official evaluations of the cost of keeping a professional army. Last spring the Ministry of Defense forecast that such an army would be eight times more expensive. In December, in accordance with the General Staff's expert evaluation, a possible five-fold increase in the cost of keeping an army [after it has become a professional one] was quoted. Evaluations made at the beginning of 1990 at the Research Center for Social and Technological Problems of the Main Political Directorate of the Soviet Army and Navy suggest that expenditure on keeping the Army will increase by a factor of 1.8, and at the same time it was stated that this figure may be significantly lowered if less money is spent on purchasing military equipment.

By way of criticizing the draft proposals for military reform elaborated by V.N. Lopatin's group, I would like to emphasize that the idea which it contains of endowing the Armed Forces with the function of "guaranteeing the internal stability of the state and society" in extreme conditions appears to be unacceptable. The argumentation in favor of this function is not new: They allege that events in Baku and Fergana force one to admit that the need may arise for using the Armed Forces to suppress disorders and protect the peaceful population. They are also employed in rescue work in cases of earthquakes, floods, and other natural calamities.

I will allow myself to make an analogy: One can use an iron for driving a nail, but this does not in any way imply that driving in nails is among the functions of an iron. The duties which are laid on the Armed Forces determine their character, readiness to fulfill a strictly specified range of tasks, the character of their combat and moral and psychological training, and their technical equipment. Armed Forces which are expected to fulfill both external and internal functions differ from an army which is only intended for the defense of a country from outside threat. In resolving the question of the internal function, it is necessary to proceed from a sober account of the specific features of a state institution such as the Armed Forces and not from precedents. Speaking of precedents, last year's April tragedy in Tbilisi emphasized once again that it is inadmissible to use the Army for restoring order. In spite of all the differences in the assessment of the causes which led to this tragedy, many parties to the argument agree first and foremost on this point. The draft Law on Defense, which is being prepared by the Ministry of Defense, justly stipulates that the Armed Forces should be exclusively entrusted with defense against aggression.

When this material was prepared at the beginning of May, the ultimate fate of the document elaborated by V.N. Lopatin's group had not yet been determined. Opinions were voiced that the document, after its revision, could ultimately be forwarded to the committees and commissions of the USSR Supreme Soviet as well as to the Presidential Council. As emphasized by Ye.P. Velikhov, chairman of the Subcommittee for the Armed Forces, even though the document has given rise to serious objections and its discussion has not yet been completed, its very emergence is nevertheless an extremely positive fact. Perhaps the document does not generate enthusiasm on the part of official circles, Ye.P. Velikhov continued; however, at the next stage we are ready to continue its analysis together with them. (As though to confirm these words on the lack of enthusiasm, soon after our conversation we were informed that Major V.N. Lopatin, a USSR people's deputy, had been expelled from the party as a result of pressure exerted by high military leadership which obviously did not like his vigorous political activity. However, he was later reinstated within the party.)

The shift of public interest to the theme of military reform is not artificial in its character, as people sometimes endeavor to portray it in those official circles about which the subcommittee's chairman spoke. This interest is boosted by life itself and, if we take into account a subjective factor, by the military leaders' persistent unwillingness to acknowledge some realities. The difficulties involved in the recent conscription call-up are yet further evidence of the fact that the problem is "overripe." It is high time to take urgent measures.

At the very beginning of 1990, the USSR Supreme Soviet has found itself terribly pressed for time. Its agenda is overcrowded, yet so many important issues have remained outside its framework. These issues include the question of military reform. There is no doubt that haste in its implementation is inadmissible, but sluggishness also turns out to be simply pernicious. As was pointed out in the course of the discussion in the Subcommittee for the Armed Forces, changes in the Army are increasingly lagging behind perestroyka in society as a whole and the formation of this discrepancy ["nozhnitsy"—a pair of scissors] simply creates a highly explosive situation capable of invalidating everything which has been achieved over the past five years.

In view of both the sensitive nature of the present situation and the necessity of urgent actions, the Supreme Soviet should have undertaken a mission to find mutually acceptable compromises. In fact, however, it is only owing to the selfless—alas, a definition which is entirely inappropriate for a characterization of the work of a parliament—efforts of a group of officer deputies that the theme of military reform has come into the Supreme Soviet's field of vision.

There is probably no other sphere in which the influence of the apparatus and departments on the functioning of our supreme legislative organ and its insufficient independence within the limits of constitutionally fixed competence are so acutely felt as they are in the military sphere. At the level of practical politics, the question of who controls the Army plays a very great role. The Soviet

parliament has yet to prove whether it is a senior or at least an equal partner here of executive and administrative structures.

The Emergence of the USA and Eastern Europe in New Roles

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[Article by Nikolay Nikolayevich Spasov, candidate of historical sciences; political scientist]

[Text] East European countries are our neighbors, our traditional and privileged partners, and as yet they are still our allies. The USA is a country, on the state of our relations with which peace and stability on the planet and the general course of world affairs depend to a decisive degree. From the standpoint of our national interests, the way in which relations develop between the USA and East European states and the nature of their evolution are not a matter of indifference to us.

In addition to the Soviet Union, U.S. foreign policy has been most dynamic in respect to Eastern Europe. Many values are being reassessed, medium-range reference points are being relocated, and tactical instrumentation is being brought up-to-date. It makes sense to trace the transformation of U.S. approaches to relations with East European countries in the present stage and the evolution of the goals of American policy as well as the means employed in attaining them.

Starting Positions

The basic principles that determine U.S. policy toward Eastern Europe were incorporated in the American political tradition in the postwar years. They include the nonrecognition of the "artificial division of Europe," the strategic orientation toward eliminating this division, and a "differentiated approach" to relations with East European countries.

The nonrecognition of the division of Europe can be divided into two components. First, the ideologically motivated reluctance to be reconciled to the fact that East European countries had fallen out of the capitalist system and had embarked on the socialist path. Second, the rejection—which is in general understandable in a world that is still based on the balance of power—of a great power's conversion of a large number of key countries to the camp of its major opponent and rival and the desire to reverse this adverse turn of events.

In order the gain a better understanding of the present dilemmas confronting Washington's East European policy, we must go back several years to the early '80s, to the "second ice age." We must see how the Americans themselves viewed the priorities of their East European policy during those years. The theme can best be introduced by giving the floor to George Bush before he became president, while he was still vice president, while he was Number Two under Ronald Reagan. This is all the more interesting because it graphically illustrates not only the scale of changes that have taken place since that time in relations between the USA and East European states, but also the depth of the metamorphosis in the foreign political thinking of the American ruling class.

Speaking in Vienna on 21 September 1983 after a visit to Hungary, Vice President Bush explained the essence of U.S. policy on Eastern Europe as follows: "The United States shares...a vision of Eastern Europe in which the respect for human rights is the norm rather than a rare concession to international pressure, where prosperity and progress take the place of economic backwardness and openness eliminates the barriers to contacts between people and to economic cooperation. American policy is guided by certain constants in its approach to this region's problems. First, we do not recognize the legality of the division of Europe. There is a considerable lack of understanding of the substance of the Yalta conference. Allow me to state as clearly as I can: there was no agreement whatsoever at that time on the division of Europe into 'spheres of influence.' To the contrary, the powers agreed with the principle of common responsibility of the free allies for all liberated territory. The Soviet Union assumed the obligation to give full independence to Poland and all other states in Eastern Europe and to hold free elections in these countries. The Soviet Union's breach of these obligations is the principal basis for tension between East and West today."

Tactical approaches to the implementation of this strategic line evolved in a number of stages. For the first one and one-half postwar decades, the American ruling circles primarily regarded East European countries as a kind of monolith consisting of identical regimes that were absolutely dedicated to Moscow and that were *a priori* hostile to the West. Washington's practical policy was formulated in accordance with these views. It was based on the ideology of "liberation" and was no less straightforward than policy toward the Soviet Union. Primary emphasis was on pressure, subversion and confrontational rhetoric. Eastern Europe did not have independent significance in the system of American foreign policy priorities, but essentially derived from policy toward the Soviet Union.

Since the early '60s, when the doctrines of "bridge-building" and "peaceful involvement" were advanced, and especially since the '70s the practical policy of American administrations—both Democratic and Republican—have been formulated in accordance with the principle of "differentiation" in respect of the East European countries.

The differentiated approach is based on the generally realistic premise that all East European countries, by virtue of differences in geographical location, ethnic

makeup, history, and culture, differ from one another as well as from the Soviet Union and pursue different national interests. Between the '60s and '80s, the USA, playing on objectively existing differences between socialist countries, demonstrated its willingness to develop interrelations with one or another country depending on the degree of its "independence" of the USSR in the realm of domestic and foreign policy. Washington tried to influence East European policy in directions favorable to the West by "rewarding" East European countries for certain acts or "punishing" them for others.

Let us return once more to Bush's speech in Vienna in 1983. In it he presented a concentrated definition of the differentiated approach. We quote: "Our policy is the policy of differentiation. This means that we look at the degree to which countries pursue an autonomous foreign policy independent of the dictates of Moscow, and the degree to which they pursue internal liberalization—politically, economically, and in their respect for human rights. During Reagan's first term in office, at a time when U.S. policy toward the USSR and Eastern Europe was dominated by confrontation, the differentiation approach essentially boiled down to the classical "carrot and the stick" approach which was, moreover, used in quite crude and undisguised form.

All East European countries were divided into "bad" and "good." Hungary (which was the most liberal East European country from the standpoint of domestic policy according to the American classification) and Romania (the country with the most independent foreign policy in the Soviet bloc) enjoyed the relative favor of Washington which was expressed primarily in the fact that they were accorded most favored nation status in trade on an annual basis and the fact that regular political contacts were maintained with them. The Reagan administration primarily ignored the GDR and the Czechoslovak Socialist Republic. The Polish People's Republic and People's Republic of Bulgaria were assigned the role of "whipping boy." Thus, for the edification of the other countries, Washington instigated a campaign against Bulgaria, which was traditionally regarded as the USSR's closest ally, accusing it in particular of illegally transporting drugs and weapons, of being involved in international terrorism, and made it the center of speculation concerning the "Bulgarian connection" in the assassination attempt against Pope John Paul II.

In the words of Vice President Bush, the USA will not "...reward closed societies and the militant foreign policy of such countries as Bulgaria and Czechoslovakia that continue to flagrantly violate the most elemental human rights, and such countries as East German and once again Bulgaria that act as agents of the Soviets in training, financing, and arming terrorists."

As regards Poland, the United States had for a number of years pursued a policy based on political and economic pressure. The USA responded to the declaration of martial law in the Polish People's Republic on 13 December 1981 by imposing on Poland four groups of sanctions: prohibiting government-backed (non-food) loans and government backing for private credits; by discontinuing MFN (most favored nation status in trade); by restricting access to high technology; and by canceling contacts with Poland at the high and highest level.

"Small Steps"

With the beginning of Reagan's second term of office, U.S. ruling circles gradually developed increasing doubts concerning the effectiveness of U.S. East European policy. Washington concluded that direct pressure was not bringing the desired results under the conditions of expanded relations and that a certain "measured" expansion of ties and contacts with them while continuing an essentially "strict" line toward the East European countries was nevertheless necessary in order to exert a more effective influence on their policy.

The appropriate practical corrections were made in the differentiated approach in the second half of 1985 in the context of the general modernization of the Reagan administration's foreign policy along pragmatic lines. The Soviet-American summit meeting in Geneva in November 1985 became the landmark of change in U.S. relations with socialist countries. While the American side continued to confront socialist countries with conditions for improving interrelations, this type of coordination was now more flexible: an impasse on one question did not preclude the possibility of progress in other areas. This approach came to be called the policy of "small steps."

At that time the Reagan administration developed an integrated system of criteria defining the feasibility for the USA to develop bilateral relations with one or another country in Eastern Europe. These criteria were formulated in detail in the remarks of Rozanne Ridgway, assistant secretary of state for European and Canadian affairs, before the Subcommittee on Europe and the Middle East of the U.S. House of Representatives Foreign Affairs Committee. Ridgway declared on 2 October 1985: "We make a distinction between these countries and the Soviet Union. We also make a distinction between individual East European countries to the extent that they distance themselves from Soviet policy, be it through:

—the adoption of a special, more independent foreign policy;

—the expansion of political and economic exchanges with the noncommunist world;

—a more tolerant attitude toward immigration;

—greater respect for other basic human rights;

—the encouragement of a more flexible climate for political expression and change in the economy;

—or through experiments with economic decentralization."

The visit of Secretary of State G. Shultz to Romania, Hungary and Yugoslavia (15-17 December 1985) marked the beginning of the new, in a certain sense, transitional period in U.S. relations with East European countries. The U.S. Government then adopted a whole series of ever more far-reaching measures by way of developing policy measures toward Eastern Europe. The Reagan administration essentially adjusted in a pragmatic spirit its approach to relations with the Polish People's Republic, i.e., the central component of its East European policy. In several stages, it adopted measures to abolish the anti-Polish sanctions, presenting them as "reaction to internal liberalization" in that country. Thanks to the lifting of the American veto, Poland was admitted to the IMF [International Monetary Fund] and the IBRD [International Bank for Reconstruction and Development] in June 1986. In connection with the amnesty in Poland starting in September 1986, the U.S. Government "surveyed" the state of American-Polish relations and Washington announced a "new approach" to the Polish People's Republic. On 20 February 1987, Reagan officially announced an end to the sanctions that had been instituted against the Polish People's Republic. Ambassadors were exchanged in December 1987.

In an effort to encourage East European to distance themselves at least peripherally from the agreed-upon line of the community, the American Government actively resorted to the device of sending special representatives to the capitals of these countries to clarify U.S. policy on important international issues, especially those concerning Soviet-American relations and disarmament problems. The practice of regular consultations between foreign affairs agencies was renewed. In the wake of important international events, the Americans frequently proved to be more efficient at briefing our allies than we ourselves.

There were numerous reciprocal visits. These countries were regularly visited by J. Whitehead, deputy secretary of state, to whom Shultz assigned responsibility for Eastern Europe, which also reflected the importance that Washington attached to this region. G. Bush paid an official visit to Poland on 26-29 September 1987. The visit produced an echo that went considerably beyond the usual reaction to a trip by the vice president.

It became clear to an ever wider circle of persons involved in shaping U.S. foreign policy that Eastern Europe was going through large-scale, revolutionary changes and that the administration was not making adjustments in its East European policy on a commensurate scale. American political and academic circles began devoting more attention to East European problems.

It is illustrative that materials on these topics began appearing with much more frequency in the American periodical and scientific press. "Reverberating" articles by Professor Charles Gati "Gorbachev and Eastern Europe" and William Luers, former U.S. ambassador to Czechoslovakia: "The USA and Eastern Europe" (FOREIGN AFFAIRS, Summer 1987) and an article by political scientist Stephen Larrabee "Eastern Europe: The Change of Generations" (FOREIGN POLICY, Spring 1988) can be cited as an example.

Analysis of the situation in East European countries emphasized the point that events in that region open up far-reaching favorable opportunities to the United States on the one hand but are fraught with unforeseen complications on the other. American analysts supported this argument with references to the internal instability of the situation in Eastern Europe which did not exclude all manner of variants of subsequent development.

They noted that the extremely grave economic situation, which moreover was tending to deteriorate further, objectively prompted the leadership of those countries to adopt economic reforms. At the same time, they emphasized what was in the Americans' opinion the fundamental circumstances that East European countries could no longer count on the automatic, practically gratuitous financial and economic aid of the USSR, which was also forcing them to look more and more frequently to the West.

However, economic reforms inevitably escalate the demand for political reform and American experts had been focusing their attention on this point back in 1987-1988. As an additional factor tending to increase the instability, consideration was given to the inevitability of the change of leadership in these countries if only for reasons of age.

In the light of such a reading of the East European situation and trends in its evolution, U.S. policy in this region was confronted with a dual problem: to take advantage of this unique turn of events with maximum benefit to the West's long-term interests while at the same time reducing to a minimum the negative costs of such a course.

American ruling circles modernized U.S. policy on Eastern Europe on the basis of several premises in this stage. Since that time, these basic premises have substantially changed under the influence of the dynamics of internal processes in the USSR and East European countries and basic changes in Soviet-American relations. The most important feature has been the following: in this stage, the U.S. ruling circles had assumed that Eastern Europe would remain in the Soviet sphere of influence for the foreseeable future.

On the basis of this central understanding, they assumed that in order for American policy to be effective, it would have to be oriented toward the extended future and calculated to stimulate evolutionary change. Practically all circles of the American ruling class, with the exception of its right-wing periphery, agreed that it was not in the interests of the United States to encourage radical change and revolutionary cataclysms such as Hungary in

1956 and Czechoslovakia in 1968. It was emphasized that they would only result in tighter Soviet control over Eastern Europe and prolonged internal stagnation as a result of the attempt at the country's "breakout" (once again by analogy with Czechoslovakia after 1968). But the main argument against such experiments was the fear of weakening the position of reform advocates within the Soviet Union itself and the reluctance to risk the deterioration of the entire complex of East-West relations for the sake of the "freedom" of one country.

Another curious thesis that was subsequently subjected to a certain degree of rethinking: according to the conceptualization that was current at that time, American policy would be *a priori* doomed to fail if it were directly and openly aimed at undermining Soviet influence. Expressed in this connection was the somewhat surprising thought that the United States should formulate its policy in Eastern Europe virtually with the tacit consent of the Soviet Union. The justification was that the USSR was engaged in perestroyka, was not disposed to be excessively involved in East European affairs, and would not object if the USA partially lightened the Soviet Union's burden—if only for selfish reasons of its own—of maintaining these countries.

The entire formulation of the question of the dominant interest of the USA in the sphere of relations with East European countries underwent radical change. Thus, while in the past the emphasis was on encouraging striking even if relatively insignificant practical manifestations of the autonomy of one or another socialist country of the USSR, at the end of the '80s the value of such opposition in the eyes of the American ruling class diminished sharply. The center of gravity in work with these countries was shifted to encouraging them to make fundamental reforms both in their economy and in their politics.

The point was to make use of the situation created by the dynamics of renewal, the attempt to give reforms in East European countries the tempo and orientation that would in the long-term (at that time there were still many in the West who believed that this would be a long-term, multi-stage process) lead to their gradual socioeconomic and political reorientation. "We are optimistic," Reagan said at the White House in July 1988 at the end of the visit of K. Grosz, general secretary of the Hungarian Socialist Workers' Party and chairman of the Council of Ministers of the Hungarian People's Republic, to the USA, "in connection with your recognition of the fact that economic reforms cannot be crowned with success unless they are accompanied by political reforms.

In the light of the updating of the criteria, there has also been considerable change in the distribution of the United States' attention to the countries of Eastern Europe. The feasibility of a more attentive attitude toward one or another East European country came to be determined not so much on the basis of short-lived considerations, frequently of a propagandistic nature, as on the basis of the real significance that a given country holds for long-range U.S. interests.

In the course of this reexamination, Washington cooled perceptibly toward Romania: U.S. ruling circles concluded that "friendly relations" with the "most repressive dictator in Eastern Europe" were undermining confidence in American policy. Confronting increased pressure from the USA on the entire range of human rights issues, on 27 February 1988 Romania declared that it did not wish to extend MFN status based on the Jackson-Vanek amendment. MFN status was terminated on 3 July 1988. It was no secret to anyone that Budapest's step was of an anticipatory, propagandistic nature intended primarily for home consumption since it was almost a certainty that the U.S. Congress would not renew MFN status for Romania. It became more and more noticeable that Washington was giving priority to relations with Hungary and Poland although for different reasons. To all appearances, the United States intensified relations with Hungary with the aim of creating an exemplary model for the rest of Eastern Europe. As regards the new approach to Warsaw, which clearly contrasted with the very recent past, Washington realized that Poland, as the largest country in Eastern Europe and moreover a country with a key geopolitical location, must occupy a central place in the West's "Eastern" policy regardless of how matters develop.

Nor did the fact that Washington changed its approach to the problem of Jewish emigration from socialist countries go unnoticed. Everyone, including us, had grown accustomed to the fact that the American ruling circles viewed the Jewish emigration problem virtually as a deciding factor as to whether the United States should develop relations with a given country. Therefore, having resolved this problem in the rough, there was considerable concern in the Soviet Union and Eastern Europe over the fact that the Americans had very quickly restructured themselves and adopted a considerably more integrated approach. The terms of normal interrelations advanced by the United States discussed the "general human rights situation in a country." Priority status here was given to interethnic relations and the position of religion.

The Americans began devoting much more attention than before to the question of increasing the effectiveness of the division of labor with allies in the "involvement" of East European countries. The American leadership developed a conscious interest and obvious taste for improving the coordination of the entire complex of work with these countries within the framework of NATO and the mechanisms of the annual meetings of the seven leading industrial Western powers. In U.S. policy-making circles, there has crystallized the understanding that in individual, specific instances it is more advantageous for Washington to deliberately remain in the shadows, yielding the main role to West European countries. The attractiveness of such a slightly humble approach in the eyes of the Americans was in large measure explained by the fact that in their opinion a

situation in which first fiddle would be played not by the United States, but by any other Western country would be received much more calmly in Moscow. Starting with the late '80s, U.S. ruling circles placed special hopes in the involvement of East European countries in integration structures of the European community.

Another typical sign of this period of transition was the revival of interest in the West, including the USA, in the conception of Central Europe, the sense of which consisted in contrasting the historical fate of peoples of East European countries and of the Soviet Union. G. Bush noted the promise of this conception back in 1983: "...Russia did not participate in any of the three great events in European history: the Renaissance, the Reformation, and the Age of Enlightenment. But Central Europe, the region that gave birth to Jan Hus, participated in all of them. This region has always looked to the West, not the East."

Under the conditions of the dynamic expansion of relations and contacts along East-West lines, policy makers in Western powers viewed this conception as a convenient an outwardly harmless instrument that could be used to force the separation of East European participants in the Warsaw Treaty Organization from the Soviet Union. A publication of the Heritage Foundation—the most influential "think tank" in the USA with a highly conservative orientation—openly recommended in this regard: "The United States should...promote the conception of 'Central Europe,' including Czechoslovakia, Hungary, East Germany, Poland, and Romania. This would make a historic distinction from Eastern Europe which for centuries has meant Russia and its expansionist ambitions."

The steady increase in attention to the range of questions pertaining to conventional armed forces and arms in Europe was connected with the advancement of East European problems to the forefront. Already in the initial stages of the West's reaction to renewal processes in socialist countries, the line was that the configuration of future reductions of conventional armed forces in Europe should correspond to the task of accelerating and reinforcing reforms in the East European countries.

It appears the time has come to sum up certain preliminary results. By the time the Reagan administration ended, the stable mood in broad political circles in the USA, including both the Republican and Democratic establishment, the conservative wing, the liberal wing and center, was in favor of activating the entire aggregate of interrelations of the United States with East European countries and of giving American policy in this direction a more pragmatic and long-term nature. With certain qualifications it was possible to speak of a consensus on this question in the American ruling class.

The central idea of this consensus, which unified supporters of different political preferences, consisted in regarding the attitude of the USSR toward liberalization in Eastern Europe as the universal criterion of the "sincerity of glasnost and perestroyka within the Soviet Union itself. There were more and more frequent attempts to connect liberalization in Eastern Europe with progress in the area of Soviet-American relations.

Thus, in a 4 November 1987 speech to Europe over the Worldnet system, President R. Reagan announced: "We are told that glasnost is opening a new era. Everyone wants to believe that this is true, that optimism is justified. However common sense compels us to look for tangible changes in behavior—for deeds, not words—in order to decide what is real and what is illusion.... The Soviet Union's relaxation of control over Eastern Europe would be such a sign."

Both presidential candidates sounded a similar note. In a speech in Chicago on 2 August 1988, G. Bush declared: "...The Soviet Union will ultimately be judged on the results it achieves...in the area of human rights and on the basis of its repudiation of the Brezhnev doctrine in Eastern Europe."

Judging by his pronouncements, Democratic candidate M. Dukakis attached no less significance to Eastern Europe. Speaking at the annual session of the Atlantic Council in Washington in June 1988, he said: "...I believe that our alliance should also devise a strategy for reacting to change in Eastern Europe...we, as an alliance should make efforts to encourage Eastern Europe's progress toward freedom, should encourage diversity, should encourage change so that 5 years from now we will hear discussion not only of 'glasnost' in Moscow, but also...of openness and of awakening hope everywhere in that region."

For the completeness of the picture, we will not forget about the right flank of American political life. As an illustration, we can refer to the East European program of the already mentioned Heritage Foundation. It is distinguished by its even greater candor in the formulation of its tasks. According to it, U.S. policy should include "efforts aimed at increasing the political and economic price the Soviet Union pays for its domination of Eastern Europe by making Moscow's granting of independence to this region the key condition to improving American-Soviet relations and economic cooperation."

Thus, at the moment the Bush administration came to power, circles having a dominant influence on the articulation of American policy saw the main line of the United States in Eastern Europe as being to encourage these countries to gradually distance themselves from the Soviet Union both in foreign policy and in their internal structure. We once again call attention to the fact that most recommendations boiled down to evaluating this process as being gradual. This circumstance is very important for understanding the subsequent evolution of the attitude in the USA toward changes in Eastern Europe.

The Choice of Route

From the moment G. Bush took office, his approach to the formulation and implementation of the U.S. line regarding Eastern Europe was determined by two interconnected fundamental positions. First, by the conviction of the necessity of increasing the United States' involvement in East European affairs, and, second, by the cautiousness that generally distinguishes Bush's style as president.

This is why Bush and the people on his team did not conceal the fact that they were counting on using the renewal processes in East European countries, the new features in relations between allies within the framework of the Warsaw Treaty Organization to promote the West strategic goal in Eastern Europe—the political and economic reorientation of these countries; the considered the encouragement of evolutionary change to be the optimal approach to the attainment of this goal. The Bush administration feared that excessive energy in the East European direction might become negative costs from the point of view of such priority U.S. interests, in its view, as military-political stability in Europe and continued stability in the development of Soviet-American relations.

G. Bush's personal participation in the implementation of the "differentiated approach" policy (his visits while he was vice president to Yugoslavia, Romania, and Hungary in 1983 and to Poland in 1987 have already been mentioned) was by no means a factor of secondary significance. The new president had his own personal views on the management of affairs in this direction and could to a considerable degree draw upon his personal experience. Feeling his strong side here, Bush said in a TIME magazine interview in August 1988: "I have quite a good knowledge of the present emotions in Eastern Europe and I think that the people living there might have a better than 50-50 chance of gaining more freedom if we properly implement and develop a differentiated policy."

In the light of all these circumstances, it is entirely natural that the question of assessing changes in Eastern Europe and the development of new approaches to these countries was the focal point of Bush's "all-embracing survey" of U.S. foreign policy. The indeterminacy of the situation in East European countries in this stage coupled with the political circumspection typical of Bush and Secretary of States James Baker, his old comrade-in-arms, predetermined the stand taken by the new administration.

It clearly stated that it did not wish to bind itself to any proposed model of East European policy. At the same time, the new leadership expressed its willingness to examine and test by no means indisputable variants, including those that did not enjoy unanimous approval even of the center-right, moderately conservative factions of the American ruling class that had contributed decisively to Bush's coming to power.

Among the ideas of this type were proposals united by a common theme—the idea of the need to discuss the question of the fate of Eastern Europe with the Soviet Union. These proposals reflected the conscious orientation that had matured in U.S. ruling circles toward expanding the dialogue with Moscow on the entire spectrum of current problems in international life. Since the end of 1988, numerous influential American politicians and political scientists (R. Nixon, H. Kissinger, W. Leurs, C. Gati, and others) energetically promoted the idea of securing broad informal mutual understanding with the USSR and of coordinating the "rules of conduct" regarding Eastern Europe. They views the principal value of such agreement as being to anticipate the possibility of a turn of events in the region that would force the Soviet Union to react destructively and that would trigger a rigid counteraction on the part of the of the United States. It was proposed "to begin direct talks with the Soviet Union on the future of Eastern Europe."

The "young" administration also focused attention on these areas. In a preface to a NEW YORK TIMES interview on 28 March 1989 of Secretary of State J. Baker, Thomas Friedman, a journalist who is known for being well-informed, reported that the administration was "taking a cautious look" at the beginning of discussions with Moscow of the "new political regulation for Eastern Europe.

The several interpretations of the idea of reaching agreement with Moscow all contained one basic premise: their authors proposed not the perpetuation of the erstwhile status quo in Eastern Europe, but only the ordered, controlled character of its transformation. All advocates of this idea invariably stated that its implementation must not in any event legitimize the notion that Eastern Europe belongs to "the Soviet sphere of influence." This nuance was conveyed more precisely than others by William Highland, editor-in-chief of FOREIGN AFFAIRS, the most authoritative American foreign policy journal, in an article published in the winter (1988-1989) issue of the slightly less authoritative journal FOREIGN POLICY. Such agreement, in his words, "must become the prelude to the gradual separation of the USSR from its European empire rather than the codification of its preservation."

J. Baker also placed this accent in the previously mentioned interview: "I consider it important that every such idea, to the extent that it will be realized cautiously so as not to send the signal that we together with the Soviet Union intend in one way or another to divide Eastern Europe."

The so-called Kissinger plan was the most far-reaching of these ideas. This plan—Henry Kissinger presented it at a meeting with Bush and Baker on 28 January 1989—called for "the conclusion of a historic American-Soviet agreement" on "political regulation in Central Europe between East and West." To Kissinger's way of thinking, this regulation should include the significant relaxation of Moscow's political and military control over Eastern

Europe "in exchange for the West's promise in one form or another that NATO will not use this relaxation to enter Eastern Europe or to undermine the Soviet Union."

Kissinger made public his conception, to be sure in quite amorphous form in the article "Relations with Moscow: The New Balance," in the WASHINGTON POST in February 1989. He wrote that the new situation, the key role in the formation of which is played by the reduction of Soviet forces in Eastern Europe and the beginning of negotiations on the control of conventional arms, in addition to unprecedented potential, also includes an "unprecedented challenge" to the West. He singled out the following elements: (a) the Western alliance must transform the present juggling of figures within the framework of arms control into a political conception that includes political regulation in Europe; (b) Western Europe with American assistance, must create its own defensive and political organization. This is the only real way of justly distributing the load and is the basis of European regulation; (c) the United States must make it clearly understood that there can be no discussion of any plans calling for the total withdrawal of American forces from Europe; (d) the Soviet Union must think about the trap into which it has fallen: it has linked its military security with regimes in East European countries whose instability is becoming an objective reality. Can political evolution be separated from military security? (e) Fifteen years ago, attempts to devise general rules of conduct in international affairs failed due to Soviet expansionism and internal disagreements in America. Can this dialogue be resumed under new conditions?"

American government reaction to the "Kissinger plan" was quite restrained if not negative. There were many who assessed it as "unrealistic." As proof of the unrealistic nature of the "Kissinger plan," there were references in particular to the fact that the United States did not have sufficient resources to support such a grandiose undertaking. It was also noted that the plan presupposed the total unanimity of the West whereas in practice it would hardly be possible to reach such a high degree of coordination in Western policy on Eastern Europe.

There were voices warning that the times had changed and that the Soviet Union would not make a separate deal with the United States behind the back of the European states. And indeed, Europeans themselves are not the same as they used to be and will hardly be content with the role of extras. The prediction was that any initiative regarding U.S. involvement in the processes in Eastern Europe with Moscow's blessing would most certainly be received anxiously by the Soviet leadership and would generate an undesirable reaction in Soviet society.

However the principal reason for the rejection of the "Kissinger plan" was something else. And this reason is no less illustrative from the standpoint of the erstwhile sentiments in the American establishment than Kissinger's conception itself. U.S. ruling circles have become more and more convinced that the development of events in Eastern Europe in a direction that favors the West is acquiring autonomous dynamics and that there is accordingly no longer any need to strengthen this trend through an agreement with the Soviet Union. Thus, in the opinion of Heritage Foundation analysts a "classical revolutionary situation" corresponding to Lenin's definition had developed in East European countries by that time. Given the ever wider dissemination of such views, the "Kissinger plan" failed because it "proposed offering the Soviets a price that they did not ask in exchange for the relaxation of their control over Eastern Europe even though this process appeared to have become almost irreversible."

Secretary of State Baker acknowledged the substantiation of objections to the "Kissinger plan" in a NEW YORK TIMES interview: why give the Soviet presence in Eastern Europe any kind of official status when Poland and Hungary are already moving toward an increasingly Western orientation in their economic and political systems?

At the same time—and this is one more stroke on J. Baker's political portrait—he would not like to close the door and would like to leave open the possibility that under certain conditions the pluses of the "Kissinger plan" might outweigh the potential costs connected with it. The Secretary of State said: "If progress did not continue in opening Eastern Europe up to the West and in bringing Eastern Europe closer to the West, if there were movement in the opposite direction, or if there were anarchy and reaction on the part of the Soviets, this would be a different situation. Then, in my opinion, it would be much more suitable to examine the potential of Henry's proposals. It is part of the general overview." In Baker's words, Kissinger's proposal "merits scrutiny because it is a new and fresh approach."

And so, the idea of agreement with the Soviet Union on regulation in Eastern Europe did not become a part of practical United States policy. However, the discussion around this idea played its part. The creative atmosphere favoring the search for unorthodox approaches to American foreign policy on Eastern Europe received an additional intellectual charge. The new U.S. political leadership became firmly convinced of the need to raise the status of relations with East European countries and of more actively implementing the policy of expanding the American presence in the region. Finally, how can it be assumed that these discussions did not play the last part in the fact that Washington made a political decision that was motivated by interest in securing stability of processes of change in Europe, of placing European topics on the agenda of Soviet-American exchanges of opinion.

The Bush administration assigned relations with East European countries one of the highest places on the scale of U.S. foreign policy priorities. It is extremely illustrative that the first of the series of policy speeches that Bush made in the concluding stage of the "general

overview" was devoted specifically to the new approach to relations with Eastern Europe.

In a 17 April 1989 speech before Polish-Americans in the Detroit (Michigan) suburb of Hamtramck, Bush placed U.S. East European policy in the broad, long-range context of East-West relations. The president declared, in particular: "...the Cold War started in Eastern Europe. If it is destined to end, it will end in this cauldron of world conflict, and an end must be put to it. The American people wish to see Eastern and Central Europe living free and prosperous in the world. By showing caution, realism and patience, we are trying to promote the evolution of freedom and opportunities that open up as a result of the Helsinki Accords and the deepening contacts between East and West."

These ideas were developed in G. Bush's speech at the University of Texas on 12 May 1989 that focused on the tasks of the Soviet-American dialogue. In it, Bush formulated the broad concept of "going beyond deterrence" which Washington offered as its answer to Soviet perestroyka and that was the basis of the "new policy for the '90s." The speech in Houston contained concrete references to this point. In order that the new relations become a reality, the USSR would have to "fulfill the obligation it accepted in the final days of World War II and support the self-determination of all nations in Eastern and Central Europe. This requires the concrete repudiation of the Brezhnev doctrine so that it would be possible to travel from Moscow to Munich without seeing a single watch-tower or a strand of barbed wire. In a word, to tear down the iron curtain."

The U.S. President's visits to Poland and Hungary on 9-11 and 11-13 July 1989 were the first major step taken by the Bush administration to implement its orientation toward expanding the entire aggregate of political, humanitarian and economic relations of the USA with East European countries.

Judging by the pronouncements of Bush himself as well as other leading officials of the administration, when it undertook this action, Washington set itself the following tasks:

(1) to demonstrate increased U.S. interest in events in Poland and Hungary and to support the further movement of these countries in the direction of the West;

(2) to send a "signal" to other East European countries, and possibly to the Soviet Baltic republics as well, that their steps in the direction of introducing a market economy and a multiparty system will be "rewarded" proportionately by the USA;

(3) on the threshold of the meeting of the leaders of the seven leading capitalist countries in Paris, the question of the coordination of approaches to the East European countries and of defining the principal parameters of the Western policies was the first point included in the agenda primarily at the initiative of the Americans.

The administration's calculations connected with Bush's trip also obviously included the following motivation. It was felt that U.S. ruling circles were alarmed by the Soviet Union's energetic series of contacts with a number of key American NATO allies and by the popularity of the Soviet Union in Western Europe. This was planned to reinforce the authority of the new president as the leader of the Western world. The plan was to attempt to balance the lively Soviet dialogue with West European countries with the organization of direct contacts at the highest level with East European countries. And, incidentally by placing the USSR's relations with Western Europe and the USA on a par with relations with Eastern Europe, the hope was to forestall possible objections by the Soviet Union to increased American activity in East European countries (even though frequently, to call a spade a spade, this activity boils specifically down to undermining traditional Soviet influence).

G. Bush spoke out in the same key, answering questions by Polish journalists on the eve of his visit: "...it does not bother me as the President of the United States that he (M. S. Gorbachev) is interrupted by applause everywhere in Europe, in Western Europe. And in precisely the same way, it should not bother him when I call for freedom and democracy in Eastern Europe. In my opinion, this does not concern him, just as it does not concern me if he visits France or Germany."

It was obvious from the beginning that the significance of Bush's visits to Poland and Hungary went far beyond the framework of U.S. bilateral relations with these countries. It essentially meant the United States' direct involvement in processes of change in Eastern Europe in the interest of accelerating the reorientation of the countries in this region toward the capitalist model of development. Addressing the Polish Sejm on 10 July 1989, G. Bush proclaimed: "Poland's progress along this road will show the way to a new era all throughout Europe, an era based on common values and not only on geographical proximity. The Western democracies will be together with the Polish people and other peoples of this regions."

At the same time, it must be noted that this turn toward Eastern Europe by the United States was within the framework of the general line of official Washington toward the proper and cautious conduct of affairs in this direction, toward promoting evolutionary and stable change. Thus, immediately before and during his trip, the President repeatedly made assurances that his visit was "not in any way intended to complicate the situation" in Poland and Hungary and was not "an attempt to complicate relations" between the USSR and its allies.

The United States did not intend to "begin maintaining" East European countries and was not interested in giving them any illusions on this score. The fact that this idea was repeatedly mentioned in pronouncements by American officials and in press commentaries did not go unnoticed in Eastern Europe.

The U.S. economic package for Poland and Hungary was developed on a compromise basis. The six-point aid plan for Poland outlined by Bush in his speech to the Sejm, while going farther and concretizing the points made in the President's Hamtramck's speech, was nevertheless clearly incomparable with the $10 billion requested by Solidarity. During his talk with the American President, Lech Walesa clearly gave him to understand that the Polish opposition was not satisfied with the United States' proposals.

Discussion of Eastern Europe at the meeting of the seven leading Western countries in Paris on 15-16 July 1969 was the *de facto* continuation of Bush's visits to Poland and Hungary. While still in Washington, at a briefing devoted to the President's scheduled trip, Secretary of State G. Baker, enumerating the topics scheduled for the meeting of the Seven, named the "protection and expansion of the community of Western values, especially in Eastern Europe," as the first.

Just like the Bush tour, the meeting of the Seven did not culminate in any large-scale proposals containing concrete figures on economic aid to Poland and Hungary. Forecasts in the Western mass media on the eve of the meeting that a "Marshall Plan for Eastern Europe" would be presented in Paris did not materialize.

At the same time, if the question is examined from a political point of view, the leaders of the seven powers went very far. Essentially, the central political result of the Paris summit of the Seven was that its participants publicly bound themselves to support the reforms in Eastern Europe and agreed to pursue this policy on a coordinated basis. In the meeting's political declaration, participating nations declared their willingness to "study the possibility" of rendering "coordinated" economic aid to Poland and Hungary "to transform and open up their economies over the long term." It set the task of making "measures within the framework of aid more effective and complementary."

The Seven came forth with the initiative of holding a special meeting on specific aspects of "support for reform in Poland and Hungary" under the aegis of the Commission on European Communities.

The fact that East European policy was discussed at a meeting of the Seven and the attention that was devoted to this topic showed that in addition to the Soviet direction, this direction was now becoming a priority in the global strategy of the leading Western powers. This was also confirmed by the understanding that has developed between the USA and its principal allies regarding the more expedient division of labor: EC countries have taken upon themselves the everyday practical work of "involving" East European countries. A key role has been assigned to the mechanisms of the European Community.

"Full Speed Ahead"

Since the second half of 1989, it was found that the changes in Eastern Europe were proceeding at a significantly faster pace than Washington had initially expected.

U.S. ruling circles did not anticipate the scale of Solidarity's election victory in Poland and did not expect the formation of a "noncommunist" government. The rate of liberalization in Hungary was a surprise to American analysts. Even having the example of these two countries before its eyes, the American leadership did not expect the GDR, Bulgaria, and Czechoslovakia to cover the road in a few weeks that had taken Poland and Hungary several years, to join in the reform process one after another.

An especially strong impression was made on the American administration by the avalanche-like course of events in the GDR, for which the Americans were obviously unprepared. Despite numerous forecasts of the inevitability of change in Romania, Washington was taken by surprise by the dramatic nature of the change of power in that country.

The perception of these metamorphoses by the American public was evidently reflected by Don Oberdorfer, well-known observer, in an article published in the WASHINGTON POST on 23 December 1989. Oberdorfer wrote: "considering yesterday's dramatic events in Romania, all six Soviet Warsaw Pact allies have radically altered their political orientation since the middle of August. In just 4 months, the Stalinist systems that were forced on these East European countries 40 years ago were overthrown and the ruling communist governments were removed from power or so compromised themselves that their continuance in power is extremely questionable.

The sudden collapse of Moscow's empire in Eastern Europe...is...probably the major political event of the '80s. The fact that these countries are now undertaking their own reorganization, the reform of their economies, and the organization of new relations with the West as well as with a changing Soviet Union, will be one of the important issues in international relations in the '90s."

Faced with the accelerating process of change in Eastern Europe, the Bush administration will be forced to pursue a more active policy in this region accordingly. It will otherwise run the risk of losing the levers to influence the development of events. A certain part has also been played by the mounting pressure on the administration within the nation, especially by the Democrats in Congress. There are accusations that the White House is not pursuing a sufficiently active policy in Eastern Europe, as a result of which the USA may lose an "unprecedented historical chance." Thus, George Mitchell, leader of the Democratic majority in the Senate, stated: "What we have demanded for 4 decades is now beginning to happen. This is unquestionably a victory for the United States. The United States must now encourage changes

that we have so long worked for and must now use them. Instead of rewards and participation, the administration has occupied an almost passive position."

Reacting to the radical renewal of the situation as well as to criticism addressed to it, the Bush administration made substantial adjustments in U.S. policy toward Eastern Europe. As has been already repeated noted, American ruling circles see the strategic goal of United States policy in Europe to be the elimination of its "artificial division." After analyzing changes in Eastern Europe, the Bush administration concluded that the "division of Europe" will be eliminated in the near future. In connection with T. Mazowiecki's appointment as Poland's prime minister, G. Bush stated: "These events promise not only a peaceful democratic transition in Poland, but also the broader process of European reconciliation leading to a whole and free Europe." The American leadership's perception of the "victory of the West in the Cold War" constituted the conceptual underpinnings of these principles.

The United States' practical approaches to the construction of relations with East European countries have been corrected in accordance with these new features on the conceptual plane. Two tendencies are seen in this modernization. First, Washington's orientation toward direct involvement in East European affairs is increasing apparent. Second, the previous emphasis on the gradual, evolutionary character of change that was integral part of American calculations and forecasts has receded into the background. At the same time, U.S. ruling circles continue not to be interested in the destabilization of the situation in Europe.

U.S. policy in Eastern Europe has gained considerable momentum to date. Washington has shown that it is able to make corrections in its approaches, to change is initial plans in mid-stream, and to react flexibly and promptly to events. This was attested to, in particular, by the fact that the White House quite quickly opted to support the uprising in Romania. Already on 25 December 1989, the U.S. Government established diplomatic relations with the "new lawful government of Romania, with the National Salvation Front.

The modernization of U.S. policy in Eastern Europe was connected with change in the American ruling circles' perception of the Soviet factor in the context of change on the European continent. The American leadership's opinion about the degree to which the influence and interests of the Soviet Union should be taken into account in the formulation of policy in Eastern Europe has undergone substantial transformation of late. I would like to single out 3 points in this regard.

1) There has been radical change in the formulation of the main question, the answer to which must precede any practical steps: the forms in which it is feasible for the United States to assist reforms in East European countries, and the limit that must not be overstepped.

For a number of years approximately up until the middle of last autumn, the dominant theme of all American calculations concerning Eastern Europe was the reluctance to provoke a power reaction from the Soviet Union. The American leadership asked itself: where is the boundary that the West must not overstep in "encouraging" reforms in East European countries? This boundary was called the Soviet Union's "tolerance threshold." If the West surpassed it, it could be interpreted by the USSR as a threat to its vital interests. It consequently considered itself forced to react in a strict power key [*v zhestkom silovom klyuche*] with all the inevitable attendant long-term negative consequences for the strategic goals of the Western community both in relations with the USSR and with Eastern Europe. What is more, and this is very illustrative, this concern was shared by conservative currents as well as by liberal circles that are sensitive to new trends. The interpretation of this side of the matter by Gregory Flynn, a responsible associate of the Carnegie Foundation and the author of a very typical article "Problems in Paradigm" published the Spring 1989 issue of FOREIGN POLICY is very curious.

Flynn reasons: "Thus, the frequently asked question of where the Soviet tolerance threshold has shifted remains appropriate. Gorbachev obviously would not want to resort to open intervention if he thought that one or several East European countries had gone too far. Such actions could undermine his own efforts to reform his own house. The new dynamics in Soviet-East European interrelations has truly altered the content of the Moscow 'limited sovereignty' doctrine. The road to socialism can now be adapted to national conditions.

However there is to an equal degree no doubt that a certain threshold does exist. It is entirely probably that no one, including Gorbachev knows this limit precisely."

It now appears that there are grounds for stating that the American leadership's earlier fears concerning the USSR's forcible intervention in East European affairs were unfounded. The substantial modification of the U.S. orientation toward prospective Soviet military participation in the events in Eastern Europe is attested to by the position taken by the Bush administration in connection with military actions between supporters of the Ceausescu regime and patriotic forces in Romania.

On 24 December 1989, Secretary of State Baker in an interview with the NBC Television Company stated that the U.S. government would not be opposed if the USSR and other Warsaw Treaty Organization countries undertook a military action to assist the National Salvation Front in Romania. Baker explicitly declared that in his opinion the USA would support such actions by the USSR and the Warsaw Pact. D. Oberdorfer noted that this was "the first public agreement of the USA with the idea of Soviet military intervention abroad, to say nothing of open support of this idea, since World War II."

Americans today are most concerned that the energetic encouragement of reformist forces in East European countries might destabilize the situation there, which would inevitably have a negative impact on general stability in Europe. American experts do not exclude the possibility that populist authoritarian regimes might be established in individual European countries.

2) There are new signs that the American foreign policy establishment is working on two interconnected problems: the stimulation of change in Eastern Europe and respect for vitally important security interests of the USSR in that region. Not so long ago it was taken for granted that without the regulation of this dilemma, it was unrealistic to hope for progress in advancing U.S. policy goals in Europe. The idea of the need to respect the "lawful security interests" of the USSR has been emphasized not only in declarations of the nation's leaders and officials but also in pronouncements by representatives of the entire basic spectrum of nongovernment political circles. Thus, Zbigniew Brzezinski has indicated the importance of seeing to it that "political and economic changes in Central Europe not threaten the security of the Soviet Union." According to leaks in the American press, during the Malta visit, G. Bush emphatically assured M. S. Gorbachev that the Americans "did not intend to extract one-sided advantage" from the situation in Eastern Europe.

The orientation toward the consideration of the USSR's lawful interests is still part of U.S. official policy. But its content has changed. Washington today is showing considerably less readiness to take specific practical steps to secure Soviet interests in Europe than was the case in the very recent past. These changes are probably most vividly seen in the attitude of U.S. leadership toward the Warsaw Treaty Organization.

Up until the relatively recent past, it was the very widespread view in U.S. ruling circles that the preservation of NATO and the Warsaw Pact in their existing form was regarded as a necessary condition to the "controllability" of the evolution of East European countries, to the stability of European order, and to securing basic Soviet interests.

It has been regularly acknowledged, *inter alia* at the official level, that the Warsaw Treaty Organization is playing a stabilizing role under the conditions of rapid change in Europe and it has been declared that the USA is not interested in the withdrawal of any country from the WTO.

However, after a certain time these points disappeared entirely from statements by official representatives. Nor are the found any more in pronouncements by people not bound by government discipline. The conclusion that suggests itself is that circles privy to U.S. foreign policy making are seriously developing a scenario based on the notion that centrifugal tendencies will inevitably intensify in the WTO.

These sentiments were conveyed unequivocally by Alexander Haig in a NEW YORK TIMES article on 18 January 1990. The former secretary of state warned: "...We must not deprive people in the East or the freedom of choice by helping to consolidate Soviet domination of this region through the so-called Warsaw Pact policy.

Indeed, at the same time that we are looking ahead, several myths about the new Europe already threatened to cloud our vision. The first myth is that the Warsaw Pact can play a constructive, stabilizing, long-term role."

3) The tougher U.S. approach to the withdrawal of Soviet forces from East European countries was connected with the new reading of the question of the USSR's "lawful interests" in Eastern Europe. Last summer Bush sent up a trial balloon, declaring in connection with his trip to Poland the desirability of the withdrawal of Soviet forces from that country. In an interview with Polish journalists, the president said: "...frankly I would like to see Soviet forces—and we are now talking about Poland—withdrawn from there. I do not think that anyone now believes that there is a danger that Poland, for example, might be invaded from the West. And I would like to see the continuation of changes such that the Soviets would feel comfortable with withdrawing their forces from there."

Upon encountering a firm reaction on our part and on the part of the erstwhile Polish leadership at that time, official Washington took a step backward. The U.S. government did not return to this question for several months. In the spring of 1990, however, it began circulating this demand actively. In the course of Polish Prime Minister T. Mazowiecki's visit to the USA in March 1990, officials of the American administration, going beyond the official position of the Mazowiecki government, repeatedly suggested that the presence of Soviet forces in Poland was not in its interests. As the President declared at a Washington press conference on 22 March 1990, "there is no need whatsoever for the presence of Soviet forces in Eastern Europe. And the sooner they leave, the better."

With the aim of increasing the practical return on steps toward rapprochement with the East European countries, the Bush administration updated the criteria of the differentiated approach. The following were named among the main conditions that had to be observed: in the political area—progress in the direction of political pluralism based on "free and honest" elections and an end to the communist party's monopoly; in the economic area—transition through reform to a market economy with a significant private sector. Nor was the age-old topic of human rights forgotten. There was special mention of the renunciation of "hostile intelligence activity and the theft of technology." American representatives indicate that the level of the United States' bilateral relations with East European countries

as well as the character and volume of financial-economic and technical assistance will depend on the degree of their progress in these directions.

The Bush administration's classification system distinguished three possible aid categories depending on the degree of progress countries in this region have made in their reforms. The parameters of each category were described by J. Baker in Prague in February 1990 and later in a speech before the House of Representatives budget committee on 18 April 1990. He classified short-term emergency aid, in particular food aid, in the first category of aid. The second category includes technical and financial assistance intended to help these countries make the transition from Stalinist command economies to the market system based on private enterprise. The third category includes the integration of these new market economies into the international economic system.

According to Baker, American aid is being rendered to Poland according to the maximum variant. Also substantially different from other East European countries in the level of its relations with the USA is Hungary. Czechoslovakia is rapidly overtaking these two reform pioneers.

The Bush administration's policy of associating its political face with the encouragement of reform in Eastern Europe was confirmed by the President in a speech at the University of South Carolina on 12 May 1990. Even though it was presented as a policy speech in a year that was devoted to relations with East European countries, this speech did not contain any fresh accents or any other major new projects. The widely advertised package of four initiatives boiled down to the sanctioning of medium-term U.S. export-import bank loans (only short-term loans were offered in the past) to Poland—a very modest measure; to the announcement of the sending of presidential delegations to observe elections in Romania and Bulgaria; to proclaiming the intention to secure a consensus in the context of the Conference on Security and Cooperation in Europe process on free elections, political pluralism, and the power of law (American diplomacy has energetically promoted the recognition of the right to free elections as a basic human right since last spring); and to a report on the creation of a "civilian democracy corps" that is intended to serve as a channel for private American aid to Eastern Europe.

The most important feature in the President's speech was not the announcement of these quite moderate actions, but was rather the confirmation once again at the highest political level of the U.S. strategic policy of promoting the dismantling of socialist structures in East European states and the accelerated formation of the institutions and mechanisms of a market economy and a pluralistic democracy in these countries, that would guarantee the irreversibility of the political and economic reorientation of the development of these countries. What is more, the President also confirmed the American leadership's tactical preferences on this score—in the hope of realizing maximum practical results with relatively minimal investments from the U.S. state budget.

Washington connected the success of this line primarily with active participation in the formation of new political systems in East European countries and with rendering from within a directing influence on this process so as to bring these countries as close as possible to the American model of democracy. G. Bush made this the focal point of his speech: "Poland, Czechoslovakia and Hungary are today, in the spring of 1990, where American was in the summer of 1787...this is why we must export our experience, our cumulative wisdom of two centuries, our cumulative wisdom concerning the functioning of a free system of government."

An increasingly noticeable place in U.S. efforts to involve East European countries is assigned to the expansion of trade and economic ties with them. Taking into the account the latter accents, Washington's approach to rendering economic aid to these countries is presently determined by the following points:

1) The idea that Western aid must not be addressed to the solution of concrete problems, but should be expressed in the creation of a system of incentives encouraging these countries to adopt market economy mechanisms is central. If there is an increase, even a considerable increase in absolute magnitude, its volume must nevertheless remain limited compared with the needs of these country's economies. Otherwise, American experts explain, these countries will lose their internal motivation for reform, as was the case in the '70s.

J. Baker focused attention on this aspect in a speech before the World Affairs Council in Dallas on 30 March 1990. In his words: "...We are asked for aid—not for alms—but for aid that makes self-help possible. Training, advice, and the transfer of our experience are worth more than money.

2) Unlike the recent past, the American administration is ready to render significant economic and financial assistance to reform in East European countries—preferably through international institutions (IMF, IBRD) that are more reliable than bilateral agreements.

3) The systematically implemented line has been that each individual project of commercial-economic cooperation involving American business must be advantageous to American partners and investors.

U.S. ruling circles believe that if these principles are strictly followed, conditional, targeted aid to East European countries can be a very effective lever for binding these countries to the West. Within this strategic framework, Washington is presently demonstrating its readiness to go significantly farther in rendering aid than it was last summer. On 26 October 1989 Hungary received most favored nation [MFN] status on a permanent basis. The granting of MFN status to Czechoslovakia was

announced on 20 February 1990. A law passed at the end of 1989 authorized American financial-economic aid to Poland and Hungary in the amount of $938 million over a 3 year period (Poland—$846.5 million; Hungary—$91.5 million). The administration requested $300 million "for the support of the dramatic changes in Eastern Europe" for the 1991 fiscal year.

There is one more point that is of substantial significant. U.S. ruling circles are clearly distinguishing between economic aid to East European countries and economic aid to the Soviet Union. The decisive role here is played by the consideration that, according to American estimates, the dismantling of socialist structures is in full swing in East European countries, whereas this question does not exist on a practical plane in the USSR and evidently will not be posed soon.

This nuance became apparent in February 1990, when the decision was reached to relax the COCOM system vis-a-vis the East European countries. There was a special qualification of the need for control to prevent technologies included in this decision from reaching the USSR. A similar approach formed the basis of an initiative put forward by the administration in early May 1990 on the partial elimination of restrictions on shipments of high-technology products to the USSR. The official clarifications emphasized that export restrictions vis-a-vis the Soviet Union and East European countries must be applied in different volume. In March 1990 the United States threatened that it would not participate in European Bank for Reconstruction and Development for Eastern European unless a ceiling was set on loans to the USSR.

While Washington devotes no less attention to the creation of the political and humanitarian infrastructure of interrelations with East European countries than it does to the economic penetration of these countries, especially because this sphere does not require particular material investments. Starting in late 1989 and early 1990, the U.S. government opted for the further significant invigoration of the entire complex of its relations and contacts with these countries at various levels and along various lines. There was a whole series of high-level visits on both sides.

On 12 December 1989 at America's initiative a meeting took place in Potsdam between J. Baker and H. Modrow, the erstwhile chairman of the GDR Council of Ministers (this was the first visit to the GDR by a U.S. secretary of state since the establishment of diplomatic relations between these two countries). Baker stopped off in Prague, Sofia and Bucharest on his way to and from Moscow in February 1990. In the course of talks with the leaders of these countries, the secretary of state energetically recommended that they invite election observers from nations participating in the CSCE. In the last week of February, L. Eagleberger, under secretary of state, visited Hungary, Poland and Yugoslavia in his official capacity as coordinator of American aid to Eastern Europe. At the end of February, Czechoslovak President V. Havel paid an official visit to the USA; Polish Prime Minister T. Mazowiecki also paid an official visit to the USA at the end of March. J. Baker visited Warsaw on the 6th of May after participating in the first meeting held the night before in Bonn at the level of foreign affairs ministers within the framework of the "two plus four" mechanism (FRG, GDR and USSR, USA, Great Britain, and France).

To all appearances, the trend toward regular reciprocal visits between the USA and East European countries will develop in the future as well.

There is one more factor that provides grounds for assuming that U.S. activity will increase in Eastern Europe in the near future. In the first months of 1990, the USA was nevertheless restrained—and this could be felt—by the known indeterminacy of the internal political prospects in the majority of East European countries—all of them, with the exception of Poland, were on the eve of parliamentary elections. Washington administrative circles made it known in no uncertain terms that the United States did not intend to assume additional obligations to leaders of East European countries, binding it to support countries that had not stood the test of the elections for political survival.

Incidentally, it appears that the fact that the U.S. approach to aid to Poland was of the most formalized and far-reaching character was explained not only by the key geopolitical significant of that country and its weight in European affairs. A certain part here was also obviously played by the clear picture of the array of political forces in Poland based on the results of the June 1989 elections.

There is no longer any doubt today that Washington from the very beginning intended to establish optimal forms and volume of aid to each individual country based on election results in other East European countries and on political forces in whom it is feasible to place reliance.

As it is not difficult to guess, American ruling circles are favorably disposed toward radical-conservative parties that favor the accelerated transition to Western-type societies. As confirmation of this point, we can cite commentary by M. Fitzwater, White House press secretary, in connection with the Hungarian election results: "We are inspired by these elections as an indicator of the Hungarian people's further progress on the road to democratic development."

After the "Wall" Came Down

U.S. policy on the German question has undergone substantial change in the last few months.

During the postwar decades, the United States consistently supported the FRG's officially proclaimed national goal: the restoration of the unity of the German state. In keeping with this tradition, the basic line of the

United States' European policy regarding the elimination of the artificial division of the continent was usually presented in the form of a triad: the elimination of the division of Europe, the division of Germany, and the division of Berlin.

The German-Berlin topic was invariably included in major U.S. foreign policy declarations. This topic was repeated used to monitor the degree of tension in East-West relations. In the second half of the 80s, it became the practice to use Moscow's position on Berlin as a criterion of the "genuineness of glasnost.

This line gained the status of official policy of the three victorious Western powers following R. Reagan's sensational speech in West Berlin on 12 June 1987. In this speech which by tradition was delivered at the Brandenburg Gate, the American president made public a package of proposals to "improve the Berlin situation," that were subsequent formulated as the joint initiative of the three powers and that were submitted to us in the form of a memorandum. The President prefaced his program with an appeal to us that was very typical of that period. It is probably worthwhile to cite this passage in its entirety: "there is one step the Soviets can take that would be an unmistakable sign, that would to an enormous degree promote the cause of liberty and peace. General Secretary Gorbachev, if you are striving for peace, if you are striving for the prosperity of the Soviet Union and Eastern Europe, if you are striving for liberalization, come to this gate, Mr. Gorbachev, open this gate!

Mr. Gorbachev, tear down this wall!"

At the same time, it appears to be possible to say that the USA has not had and does not have its own interest in "German unification." The United States' support for the slogan of "German reunification" was forced. The USA was encouraged in this direction by the logic of confrontation with the Soviet Union, by the imperatives of solidarity of the NATO alliance, and not least by the "Rapallo syndrome"—panicky fear of the hypothetical possibility that the FRG might appeal to Moscow for help in realizing its "national aspirations." As the FRG gains economic, political and military weight, it is more and more energetically demanding that its NATO allies support its national aspirations. Washington has had to make more and more assurances of its loyalty to the goal of "German reunification" and to display appropriate activity in this direction.

This fact notwithstanding, it is not difficult to conclude that this orientation in American foreign policy has up to now been of a primarily declarative nature: U.S. ruling circles have proceeded from the premise that the "restoration of German unity" is not and will hardly be the subject of practical decisions in the foreseeable future.

For all the emotional charge of statements concerning the "Berlin wall" as a "symbol of the cruel division of Berlin and Germany," it must be assumed that U.S. ruling circles have become accustomed to it and have come to view it as an unpleasant, unacceptable, but nevertheless inevitable attribute of European political realities for the foreseeable future.

The rapid, uncontrollable turn of events in the GDR and in inter-German affairs after E. Honecker's departure clearly took Washington by surprise. The Americans were especially shaken by the opening of the GDR-West Berlin border on 9 November 1989. Bush himself admitted that he "doubted that this would take place in the very first year of his administration." Baker called it "the most dramatic event in East-West relations since the end of the war."

The American leadership initially thought that the German reunification process could be carried out gradually, in stages over time. Washington took a number of steps to advance this interest. The so-called four principles should be examined in this context.

Speaking at a press conference in Brussels on 4 December 1989 concerning the results of a meeting with leaders of nations participating in NATO, Bush articulated these "four principles" as follows: "Self-determination must strived for, while its end result is not predetermined; in the given moment, we must not support any specific version. Second, reunification must be in the context of Germany's dedication to NATO and the strengthening of integration of the European Community, and also with due regard to the lawful role and obligations of powers belonging to the alliance. Third, in the interests of European stability, reunification measures must be peaceful, gradual and must be carried out step by step. And finally, on the question of boundaries, we must confirm our support for the principles of the Helsinki Final Act."

The fact that the thesis of the role of the four powers was added to the official position on the USSR said much about the Bush administration's calculations in late 1989 and early 1990.

To all appearances, in this stage, Washington's hopes for the gradual reunification of Germany were primarily connected with overcoming crisis tendencies mounting in the GDR. J. Baker's meeting with H. Modrow was taken as an expression of the United States' interest in the stable development of reforms in the GDR. It is indicative that this meeting was received very critically in U.S. conservative circles. The press version was that this meeting was intended to develop a "secret agreement" reached in Malta that Washington in the interests of Soviet perestroyka had supposedly obligated itself to pursue the "two Germanys policy" for a certain time to come.

However, judging by all appearances, by February 1990, the American leadership reached the conclusion that it was no longer possible to stop the growth of the crisis in the GDR and that it would be counterproductive to continue to be oriented toward the evolutionary restoration of German unity.

At that time, the Bush administration had essentially finally become reconciled to the fact that the German reunification process will for the most part be orchestrated by Bonn. Today, it can already be concluded that the American leadership is prepared to agree with this if U.S. strategic interests in the German question are secured. Specifically: the preservation of the postwar boundaries, especially Poland's western boundary, and Germany's continued membership in NATO. Washington is evidently proceeding form the premise that the observance of these two basic conditions will make it possible to prevent the possibility of an uncontrolled turn of events in which the FRG, pursuing its narrowly national goals, would threaten the long-term fundamental interests of the entire Western community, including the preservation of European stability.

In accordance with these changes at the conceptual level, corrections were made in the USA's practical position on the German question. Agreement reached at a conference of foreign affairs ministers on "open skies" in Ottawa on 14 February 1990, at which the FRG and GDR, on the one hand, and the USSR, USA, Great Britain, and France, on the other agreed that they would discuss external aspects of German unity was a turning point in this regard. The mechanism instituted in accordance with this agreement came to be called "two plus four." Incidentally, American officials like to emphasize that the authorship of this formula belongs to the United States.

Representatives of the American government make it understood that the new U.S. position means the *de facto* recission of the "four principles." The sense of the American interpretation of the "two plus four" formula was clarified as follows at a State Department briefing on 14 February 1990: "First, it means that any aspect of the German unification problem must begin with self-determination. This emphasizes the "two" in the formula and the fact that meetings at the minister level will not begin before the 18 March elections (in the GDR.—N. S.). The second point is the recognition of unification... The third point is that even though the formula begins with these vitally important German prerequisites, it also recognizes the necessity of discussing the lawful interests of security in the broader context. The fourth point is that it recognizes that...the four powers are called upon to play a concrete role...The fifth point is that the formula "two plus four" makes it possible to explain to the Soviets that there is a mechanism for discussing questions of interest."

The last point merits special attention. It attests to Washington's understanding of the fact that the cost of German reunification would be unacceptably high if at least the special interests of the Soviet Union were not satisfied.

The U.S. position on the NATO membership of a unified Germany is emphatically unequivocal (the only qualification is regarding the territory of the GDR in the spirit of the ideas of FRG Foreign Affairs Minister H.-D. Genscher). At a White House press conference on 22 March 1990, G. Bush declared: "The U.S. position is that a unified Germany must remain in NATO, that U.S. forces will remain there as long as the Germans want them because their presence there is a stabilizing factor...."

What is more, the impression is created that Washington does not intend to retreat on its stand on the military-political status of Germany of the future. To all appearances, in the light of the unexpectedly favorable balance of political forces in the GDR on the basis of the election results—the victory of the conservative Alliance for Germany, contrary to most American forecasts that favored the Social Democrats—and the general shift that made itself known immediately in favor of the Christian Democratic Union/Christian Social Union bloc which came out for the unconditional membership of a united Germany in NATO, the American leadership did not consider it necessary to stand on ceremony on this question.

Speaking before a congressional commission on security and cooperation in Europe on 3 April 1990, James Dobbins, deputy deputy secretary of state (there is such a position in the State Department—roughly the equivalent of the chief of an administration in our Ministry of Foreign Affairs) for European and Canadian Affairs, outlined the administration's position point-by-point on this score; it consists in the fact that:

—"a unified Germany must remain a full member of NATO;

—a unified Germany must remain a full participant in NATO's integrated military structure;

—the entire territory of a unified Germany must be covered by the guarantee of NATO security."

The renewed accents also revealed themself at a high political level. Thus, on 13 April 1990 in the course of a joint press conference with M. Thatcher following their Bermuda meeting, G. Bush, said in particular: "The Prime Minister and I agree with Chancellor Kohl that Germany must remain a full member of NATO, including its military structures... A unified Germany must have full control over all its territory without any new discriminatory constraints on German sovereignty."

Washington states that the question of Germany's military-political status is in general not to be decided within the framework of the "two plus four" negotiating mechanism with the participation of the Soviet Union. It can be discussed but not decided. When J. Baker held a press conference on 2 May 1990 aboard the plane carrying him to a session of the NATO Council, journalists were particularly persistent in trying to learn his opinion about this side of the matter. In the exposition of the Secretary of State, the administration's point of view appeared as follows: "There are certain questions that are not suited to be resolved within the framework of

'two plus four'... For example, the question of whether a unified Germany should be a member of NATO is a question that should properly be resolved by NATO with the participation of a unified Germany."

It must be recognized that the American establishment is practically unanimous on the NATO membership of a unified Germany. To be sure, figures that are not bound in their statements by affiliation with the administration use more distinct arguments to substantiate this point. Free cogitations on this topic suggest that in view of the ambitions a unified Germany will inherit from the past, it must not by any means be left to its own devices. It must be firmly bound to Western structures, especially to NATO. American political circles share the dominant Western opinion on this score that only NATO can serve as an "anchorage" for Big Germany. They believe that neither the EC and still less the CSCE can be an alternative to the North Atlantic alliance in this regard. The decisive argument in favor of preserving NATO after the disappearance of the "Soviet threat" is increasingly seen as being to "restrain" Germany.

The Americans develop this argument in such a way as to suggest that this variant is in the interests of not only the West but of the Soviet Union as well.

There was a time when in connection with the stubborn reluctance of FRG Chancellor H. Kohl to speak out unequivocally on the stability of European borders, the border question threatened to become a serious irritant in American-West German relations. Disagreements between Bonn and Washington on this score became openly apparent in the course of Kohl's visit to the USA at the end of February 1990. Subsequently, however, Kohl adjusted his position slightly in order to neutralize the unrest that was beginning to grow in West and East European countries over his ambiguous statements. It must be assumed that the action and opinion of the American partner made themselves known here. At the present time, official American declarations maintain that the approaches of the USA and the FRG to the question of Poland's western borders "coincide."

Following the strategic line of doing nothing, even unintentionally, to make the FRG turn away from the USA and to appeal to Moscow for help in restoring German unity, Washington articulates its position on specific aspects of the German problem while looking over its shoulder at Bonn.

Washington interprets the "two plus four" formula accordingly. American representatives emphasize that the last word in resolving the German question must belong to the FRG and the GDR—be it concerning the place of the future unified Germany in military-political alliances or specific approaches to unification (for example, on the basis of Article 23 or 146 of the West German constitution. The American leadership reduces the role of the "two plus four" mechanism primarily to the examination of questions concerning the liquidation of obligations of the four powers in German affairs. According to a statement by G. Bush at the joint press conference with M. Thatcher in Bermuda: "These talks will focus on putting an end to special quadripartite rights and responsibilities in respect of Berlin and Germany in general."

Making common cause with Bonn, the American government followed the Kohl government in opposing the regulation of the German question by concluding a peace treaty with Germany. Even though in earlier times, when the question of German unification was not on the plane of practical politics, the FRG and USA themselves raised the slogan of the "peace treaty." Americans justify this revision by referring primarily to the difficulty of coordinating a peace treaty. It would require the approval of all the fifty-plus countries participating in the war on the side of the anti-Hitler coalition. Namibia, which recently acquired independence, is frequently mentioned in this regard to demonstrate the "absurdity" of such a format. From such scenarios, it is adduced that a peace treaty would seriously complicate the entire regulation process and would introduce tension into it that no one needs.

In the light of what has been said, there would appear to be grounds for stating that the present American administration has adopted a policy of securing U.S. interests in the German question chiefly if not exclusively through dialogue and interaction with the FRG. If the trends that have become discernible develop, it will be possible to speak about the formation of an American-German axis within the framework of NATO. Such an axis would guarantee the United States the continued U.S. presence in Europe, and would help a unified Germany to establish its *de facto* domination in European affairs. It is self-evident that the development of events according to such a scenario would lead to cardinal change in the entire European balance of forces and would be reflected in the positions of literally all players on the European stage. The devaluation of the significance of England and France in Washington's eyes as allies and their loss of their independent political face can be indicated as just one of the consequences.

Finally, as regards respect for the vitally important interests of the security of the USSR, the American establishment does not deny the significance of this factor. Judging by everything, it realizes entirely that without this it is hardly possible to speak about the normal course of the process of change in Europe. The USA is also aware of the fact that Soviet society is especially sensitive and painfully perceptive about everything connected with Germany. It knows that what with glasnost in the USSR, addressing the German topic involves not merely fierce polemics, but also the most genuine political struggle.

It can be said without exaggeration that the German question occupied a central place at the recent Soviet-American summit meeting in Washington. In the course of intensive discussions, the similarity or compatibility of approaches were found on a number of substantive features in the European situation, but on the key

question—the military-political status of a unified Germany—it was not possible to reach a compromise solution. Nevertheless, a detailed solution of the German problem at the summit meeting played its positive role. It facilitated the American leadership's better understanding of the fact that any varriant of the regulation of the German question that does not properly take the interests of the USSR into account would not be viable.

On the whole, the American position on this question is similar to its position on a larger plane—the U.S. position on Soviet interests in Europe: the Soviet Union must not get the feeling that the profound changes that are taking place in Europe today are creating a situation for it that entails a certain measure of isolation.

Law on Taxation of Personal Income Viewed

904M0014G Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, July 90 (signed to press 14 Jun 90) pp 140-141

[Article by L. Grigoryev: "Personal Taxation, or a Tax on the Individual?"]

[Text] After prolonged discussion, the Law on Taxation of Personal Income has been adopted by the Supreme Soviet, and a certain amount of order thereby introduced into this extremely neglected sphere. It is a fact of no small importance that the adopted variant is, with regard to many parameters, better than the draft which was introduced in the fall of 1989. Let us examine the basic features of the law, remembering that it is supposed to stimulate the economic activity of taxpayers, encouraging them to work more and better, to ensure the necessary budget accumulations, and to even out incomes somewhat in favor of the underprivileged.

Let us start with the most important thing—the basic scale of tax rates. In increasing the nontaxable minimum income from 80 rubles [R] to R100 per month and introducing a sliding scale of tax on incomes up to R150, the legislators have rendered an indisputable service. This has cost the Ministry of Finance several billion rubles in lost income by comparison with the situation if the old law had been in effect, and the lengthy resistance manifested in the committees of the Supreme Soviet is therefore not surprising. Effective tax, that is to say the relation of the entire sum paid to the income as a whole, increases so slowly on incomes between R150 and R1,500—from 9.8 percent to 19.75 percent—that it may be regarded as "unprogressive." A monthly income of R850 marks the borderline between those taxpayers who have gained and those who have lost from the introduction of the new law.

It is evident that those who elaborated the law wished to avoid any accusations to the effect that they have increased the taxation of the basic strata of the population. In point of fact the document which has been adopted implies that the upper limit of "labor incomes" is R1,500 per month or R18,000 per year. What follows over and above this is not progressive but intensified taxation: Tax on incomes between R1,501 and R3,000 stands at 50 percent; for incomes above R3,000 the figure is 60 percent. This is one of the highest marginal taxes in the world (the preparatory drafts also figured a tax of 80 percent on incomes of R5,000 and above). The effective tax on an income of R3,000 equals 34.8 percent. This is clearly too much since it undermines incentive to work on the part of quite extensive categories of highly qualified specialists. We may be sure that, like the hero of the immortal novel, taxpayers will find no less than "400 comparatively honest ways" of not paying it. Is it worth pushing them into doing this?

The adopted scale of tax rates looks relatively harmless for the majority of the population only if prices should remain stable. The law contains a pitfall of a particular kind here. Let us imagine an annual price increase of 15 percent with a corresponding indexation of incomes. In the course of five years, nominal income will double while real purchasing power remains the same as before. However, this brings more categories of citizens out of a safe "tax haven" toward the dangerous income borderline of R1,500, which means a significant increase in budgetary income with a reduction in real disposable personal incomes. Compensating for this will involve a tiresome struggle in parliament for a review of tax rates.

Analogous principles are extended to the income of authors in the sphere of science and art. Once again, we have been made aware of the belief held by our parliamentarians that a talented person who brings great benefit (and income) to society must necessarily be possessed of a natural inclination toward moderation in his own income and consumption. This provokes some people into seeking a foreign contract. We must also expect a rapid increase in co-authorship, especially among friends and relatives so that, after division "by the number of authors," the average level of income does not exceed the corresponding threshold values. In fact, the legislation herds cooperative workers, artists, sportsmen, and scientists together for the purposes of "tax fleecing" since in practice they are the only ones who will sign a tax declaration. The objective aim of the leap in the level of tax is that of restraining individual labor incomes and thereby, regardless of the intentions of the legislators, the processes of primary accumulation and the development of small individual and group business will be held back.

Gradual abolition of the odious tax on bachelors and the childless is to be welcomed. The order of priorities as proposed by us in November 1989 is also important (see MOSKOVSKIYE NOVOSTI No. 48, 1989): Married women, married men, others. The first proposals of the Ministry of Finance figured presentation of written confirmation to the bookkeeping department at one's place of work of the impossibility of having children as

constituting grounds (!) for immediate removal of the tax. On the contrary, it is to be regretted that a family tax declaration and the allowances for dependents which are common in the West have not been introduced,

The legislation has also not resolved the question of what to do about inheritance of property and valuables. According to Article 3, Paragraph M, inheritance is not subject to tax and it would seem that there is no problem here. Taxes are not deducted from the dividends on labor shares [trudovyye aktsii] either, if these are reinvested in shares. Thus virtually no provision has been made to deal with the case of a citizen holding significant packages of ordinary shares and obtaining the corresponding income from them: dividends and the increase in the stock market price of the shares. It is evident that changes will soon have to be made to the law with provision being made for differences in the rules for taxing different types of inherited property: housing, monetary resources, and shares. Against the background of a liberal attitude toward inheritance "in general," the severity of the legislation with regard to the heirs of writers and scientists is surprising: The tax on inherited income from their work has been set very high, between 60 and 90 percent. A desire to deprive the heirs of advantages over "ordinary people" is understandable on a human level, but once again, as in the case of marginal rates, it comes into conflict with the role of tax as an incentive. Once again high earnings are proving unfavorable since inheritance rights are being virtually annulled. This will result in attempts to circumvent the law.

Income obtained abroad, minus any sums paid where the money was earned, is included in the scope of our taxation. This affects—and very seriously—the interests of scientists, artists, and sportsmen, something which, in an era where one is free to choose one's country of residence, may create tax incentives for emigration. It is true that at the transitional stage losses may be compensated for by a reduction in the income of the State Committee for Sport and similar intermediaries. Besides, taxes may be paid in rubles at the existing official exchange rate. For the time being this is not disadvantageous, given the possibility of turning hard currency into rubles at the "market rate" of exchange.

A step in the direction of introducing a system of tax declarations is, of course, a progressive one for we presently have a system of quasi-taxes which are not paid to us [presumably the Ministry of Finance], so that we should not spend them instead of paying them conscientiously to the state. However, the use of annual tax declarations for a part of income which take into account tax paid at source [s zachetom uplachennykh pri neposredstvennoy vyplate] will lead to complicated calculations at home and in rayon tax inspectorates. Great confusion awaits us in the calculation of tax.

It is also worth noting some of the consequences of the application of the law. We have already mentioned the expectation of a spreading of incomes in order that people might remain within the framework of moderate taxes. Let us add to this the growth of fees and of prices for commodities and services, for it is well known from western experience that firms regard taxes as a kind of expenditure and include part of that expenditure in their prices. A present day contract worth let us say R10,000, is hardly going to remain at that level given a growth of income tax from R1,300 to R5,250; it's value will rather leap to R16,000 in order to guarantee the former net income of the recipient. A price increase will enrich the Ministry of Finance and restrain real demand. Finally, we may expect endless arguments about how to determine the production costs of writers and farmers using the calculation of net income as a tax basis and difficulties in obtaining, processing, and storing vast numbers of copies of payment documents. Let us also note that the law itself is not cheap. It requires approximately 60,000 financial inspectors, new document stores, intensive correspondence with financial organs, and also arbitration. It remains to be hoped that in future, with the introduction of cheques and the automatic printing of receipts and their copies, the situation may become somewhat easier.

An important economic consequence of adopting the law will be a regional redistribution of taxes since the volume of income tax is increasing by leaps and bounds in scientific and cultural centers and regions with high legal incomes in general. At the same time, the dynamics of tax payments in regions with low average incomes will lag behind even more. Initially, the law will produce a certain drop in treasury accumulations, but given the rapid growth of the population's nominal incomes which is under way in the country, it will soon have to compensate for temporary losses with interest. At the same time, it will have a restraining influence on labor intensity and the development of enterprise in the country, and this will lead to a decrease in the potential amounts of tax accumulations.

However, one way or another an economy without tax legislation cannot function. On the whole, the law which has been passed does not do a bad job of performing fiscal functions and a somewhat worse job of performing redistribution functions, but it is not equal to satisfying demands for a stimulation of creative labor.

Conference on American Studies at Gorkiy State University

904M0014H Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 90 (signed to press 14 Jun 90) pp 142-143

[Article by A. Makarychev, graduate student, Department of Modern and Contemporary History, Gorkiy State University: "A Conference in Gorkiy"]

[Text] A scientific conference on "Current Problems in American Studies [*amerikanistika*]," organized by

Gorkiy State University and the Gorkiy Division of the Soviet Association of Young Historians, was held here in April. Among the participants in the conference were specialists from the USSR Foreign Affairs Ministry's MGIMO [Moscow State Institute of International Relations], the USSR Foreign Affairs Ministry's Diplomatic Academy, the Institute of the International Labor Movement, and a number of the nation's other universities and institutes.

The conference noted how unusual it was for such a measure to be held in an outlying area rather than in the center. This is an evidence that the elevation of American studies in the Soviet Union, like the study of international relations in general, to a qualitatively new level must be connected *inter alia* to the strengthening of the position of "scientific provincials" that were for a long time overshadowed by the latest attainments of the recognized "capital cognoscenti."

A large group of participants in the work of the sections devoted its remarks not so much to the examination of specific actions by the United States in the international arena as to the internal mechanisms behind the formation of one or another direction of American policy. It characterized in particular the role and activity of various kinds of scientific research organizations engaged in long-term strategic planning of U.S. policy. It noted, for example, that judging by foreign policy analytical documents, the processes that the USA considers most desirable vis-a-vis Eastern Europe are those that promote the pluralization of political regimes and the deepening of disagreements within the Warsaw Treaty [Organization].

The postwar history of the organization of the mechanism of the relationship between the President and the U.S. Congress on problems of interaction with foreign states. The need to coordinate positions between legislative and executive power in the formation of relations with partners and allies led to the creation of a special mechanism under President H. Truman that is instrumental to this very day in finding compromise with the majority of opposition groupings and in securing public and congressional approval for various presidential steps. Study of the internal aspects of the formulation of Washington's position on current problems makes it possible to view the major Western power not as a monolith that is devoid of internal contradictions, but as an aggregate of different social forces, strata, and organizations. The understanding of this internal infrastructure of American society, of the correlation and configuration of political forces within the establishment should help us to rid ourselves of dogmatic stereotypes (whether negative or complimentary) about the United States and at the same time to promote the precise definition of the system of the system of the Soviet Union's state priorities in interrelations with the USA.

The working document "Soviet-American Relations During the Bush Administration," which contained certain forecast assessments, was adopted on the basis of the conference in Gorkiy.

While not claiming to have covered the problems exhaustively or to have arrived at the final answers, the coauthors predict a definite lowering of the importance of the USSR in the hierarchy of the U.S. international priorities in the first half of the 90s due to the lowering of the level of confrontation between the two powers. It can be assumed in this connection that the Pentagon will play a slightly diminished role in the formulation of policy on the Soviet Union; the State Department will for the most part continue to be the advocate of the moderate-pragmatic approach to the Soviet Union and in this sense it will "cushion" possible extremist initiatives of the military and the "intelligence community."

In the opinion of the document's compilers, the existence of two authorities in the area of American-Soviet relations—Secretary of State J. Baker and B. Scowcraft, chief of the apparatus of the National Security Council—will hardly become the source of serious discord between these two executive departments. It is likely that G. Bush will continue to be personally involved in specific issues and that he will also reserve the right to make the final decision on the most important aspects of bilateral relations.

The conference took note of the contradictory nature of the U.S. approach to the development of economic relations with the USSR, in particular, its "politicalization." Participants in the Gorkiy conference ultimately concluded that following the conclusion of a trade agreement with the USSR it will be possible to halt the action of the Jackson-Vanek Amendment, and that in the future, within the framework of trade reform legislation that is enacted once every 5-7 years, the question of its total repeal will be raised. Under the pressure of business and of West European countries, the administration will have to resort to relaxing COCOM export controls. The liberalization of export controls will first of all concern the sale of computer technology, telecommunication systems, and machine tools. In the opinion of the conference's participants, the careful screening of partners interested in equal cooperation with the USSR will make joint ventures its most promising form.

In the opinion of historians and political scientists, Washington will continue its differentiated approach to East European countries, the USSR, and various union republics in both the short and long term. Such a differentiated policy will continue to be directed toward encouraging movement in the direction of Western models of economic and social development.

The general conclusion contained in the summary document concerning the prospects for Soviet-American relations is very interesting. Let us quote from it: "Certain declarations by U.S. leaders reflected the American vision of the Soviet Union as a country that has lost its status as a great power as a result of internal difficulties and the decline of foreign political activity. It is possible that Washington will try to use the USSR as a factor that stabilizes the system of international relations under rapidly changing conditions, as a lever for exerting

indirect pressure on its competitors to prevent the balance of power from shifting in their direction. The problem in such a case is to see to it that such a partnership is equitable and based on morally justified political principles."

Review of Book on West German Foreign Policy in the 80s

904M0014I Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 7, Jul 90 (signed to press 14 Jun 90) pp 148-150

[Review by L. Istyagin of book "Vneshnyaya politika FRG: kontseptsii i realii 80-kh godov" [FRG Foreign Policy: Conceptions and Realities of the 80s] by N. V. Pavlov. Moscow, Mezhdunarodnyye otnosheniya, 1989, 256 pages]

[Text] The time of abrupt change that the era is going through confronts virtually every state playing any significant role in world affairs with the necessity of making unexpected and profound changes. The Federal Republic of Germany is practically a classical example in this respect. Cascading changes in the world situation and especially the European situation affect the FRG most directly. Hence the sudden increase in the load on the conceptual base and on the tactical-diplomatic superstructure of its foreign policy. There is an obvious need for scientific analysis here and it is to a significant degree satisfied by the monograph under review. The author examines the principles and approaches underlying West German foreign policy and traces the positions and slogans of both Christian parties (the CDU [Christian Democratic Union] and the CSU [Christian Social Union]) that have actually articulated the official foreign policy course of the FRG government. In other words, we have before us a study both of this course itself and of its official reinforcement, substantiation and development. To what degree do one and the other correspond to the demands of history?

In particular, the main subject of the work, which includes such problems as FRG security policy, its interrelations with partners in Western blocs, "Ostpolitik," problems of the developing world, and aid to the developing world, consists specifically in the attempt to answer this question.

Not all of the monograph's topics prove to be equally dynamic. For example, the basic principles and the practical manifestations of Bonn's policy toward the Third World did not undergo any cardinal changes during this period; at any rate, the author's research did not reveal anything fundamentally new compared with the lines that were observed in the preceding period, for example, in the late 70s and early 80s. But some aspects of security, arms and disarmaments, and relations with Eastern neighbors have changed beyond recognition. And the author rightly focuses his own and our attention on these points.

For considerations of diplomatic delicacy that are so characteristic today of our relations with the FRG and that unquestionably embellish them, the author could have passed over them in silence or softened some of Bonn's rigid positions on peace and security. But in so doing he would have sinned against objective scientific truth.

N. Pavlov prefers to tell things as they really are. He does not eschew the use of gloomy colors to depict the foreign policy orientation that the Christian Democratic parties subscribed to on the eve of their assumption of power in 1983, that they subsequently set forth in a series of government statements, and that they began implementing jointly with the USA and other NATO partners (see pp 60-119, 164-175).

To be sure, it seems to us that the author should not have clung to weighty propagandistic epithets such as "revanchist," "imperialist," and "militarist," that occasionally flash through his writing, and should have substituted quieter adjectives for them. But it is in general difficult to reproach the study for the excessive distortion of the real sense of the foreign policy orientation of the Christian Democrats which was formulated at the start of their governmental responsibility. Bonn's policy, while remaining within the framework of the erstwhile American administration with its "missile" and other passions, led to the deterioration of the European and international situation, to the final repudiation of the detente of the 70s in large measure owing to the preceding government of the Social Democrats and Free Democrats.

We cannot get away from what we shall assume are the declarations of the CDU and the CSU (as articulated by G. Windelen, minister of Inner-German Relations, and the chancellor himself) regarding "Germany's 1937 borders," "Silesia and the quality of "our future," etc. (pp 170-171). No one subsequently revised the authoritative declarations made in the first half of the 80s and they can be said to retain their force to a certain degree today. It was not for nothing that H. Kohl's famous 10-point plan for resolving the German problem entirely skirted the boundary problem. The authors assessments in this part, even though occasionally excessively sharp in form, are alas essentially well-founded.

At the same time, he pays tribute to the conservative-liberal government of H. Kohl-H.-D. Genscher for the turn that it brought about in the sphere of foreign policy. He describes in detail Bonn's considerable contribution to the solution of the medium-range missile problem and the positive role of FRG diplomacy in the discussion of a number of arms control questions within the framework of alliance forums, including NATO. The book describes in particular detail the new constructive style

that has become the norm in Soviet-West German relations, even though it also notes difficulties that have not yet been surmounted (pp 175-195). Special attention is devoted to the substantial progress that has been made in the two countries' trade and economic relations that have occasionally evoked a certain degree of envy on the part of the Rhine republic's American allies (p 189).

The merit of the incumbent government in the turn it has brought about is all the higher because the pressure of social antiwar movements and the forces and circles connected with them is much less appreciable in the Christian Democratic parties than, let us say, in the Social Democratic Party of Germany or among the "greens."

In this regard, there arises a question of paramount importance—one that presents no little difficulty to the researcher—the question of the factors motivating Bonn to this positive evolution (for all its insufficiency in a number of respects). Noted first of all in this regard, and rightly so, is the influence of the general change in the international climate under the influence of the new foreign political thinking, the initiatives, and the actions of the Soviet Union, the GDR, and other Warsaw Treaty countries in the disarmament sphere. Of the greatest significance was Washington's turn in the direction of agreement with the USSR, which immediately undermined the positions of West German "hawks" (for example, in the case of the Pershing 1A missiles that Bonn's generals eagerly desired to supply to the Bundeswehr).

Changes in the West German mass mind concerning relations with the Soviet Union were possibly a special moment for both Christian Democratic parties and their leaders who are vested with state power. Thus, according to the data of an FRG television poll cited in the book, in October 1988 86 percent of the nation's citizens gave a positive assessment of Soviet foreign policy (p 193). The main support of the Cold War since K. Adenauer's time, the so-called "Soviet threat" was shattered before everyone's very eyes. The book contains a public opinion poll table for March 1987 showing that highest Soviet leader was five times more popular than the American President among the population of the FRG and three times more popular among followers in the CDU. Hence it is clear that for considerations of the Bundestag elections in Fall 1990 alone, Christian Democrats must substantially steer their foreign policy in the channel of the new thinking.

It must be admitted that they were also moved in this direction by an additional specific circumstance, which unfortunately is not shaded with sufficient intensity in the monograph, that is connected with the government coalition. The reference is to the liberal junior partner in the coalition—the Free Democratic Party and its leading figure: Foreign Affairs Minister H.-D. Genscher. Support for the disarmament line and the improvement of relations with East European countries are of vital importance for the liberals, otherwise the party may simply not garner the minimum 50 percent [of the votes] and will find itself removed from the parliamentary scene. Hence its strong pressure on the positions of the senior partner, with which the latter cannot fail to reckon because it does not have the prospect for obtaining an abolute majority in the elections.

At the same time, right-wing tendencies in the person of parties of "Republican," neofascist associations, certain "Landsmannschaften" and the groups supporting them in the CDU/CSU itself, are intensifying in FRG internal political life. If these forces succeed in making their way into the Bundestag, they will constitute a counterweight to realistic elements in the conservative camp itself. Therefore, the author is right in including in his work's conclusion a warning against assumptions—that are very frequent today—that "devotees of two-colored thinking, especially representatives of the military-industrial complex and the extreme right wing of conservative political circles, will surrender their positions easily" (p 243).

It must be recognized that West German extreme right-wingers and even outright militarists and revanchists have supporters not only in the FRG proper. Alas they have frequently been energetically aided by the extremely awkward and inflexible position of certain member nations of the Warsaw Treaty Organization. Take if only the purely "ostrich-like" formulas of the diplomacy of the "socialist community concerning the "closed" nature of the German question and the inadmissiblity of any "special" relations betweene Germans in the two Germanys. N. Pavlov still does not venture to assail the "sacredness" of these postulates (see, for example, p 198), but it is obvious today that they have objectively "worked" for reactionary, anti-Soviet, nationalistic, and in some cases, outright reactionary circles. And, conversely, constructive efforts emanating from the same Christian Democratic parties have been very seriously hindered and impeded by the irrational negativism of our side in the German question.

Securing and strengthening the firm turn of the FRG (and of a unified Germany in the future) toward the path of the policy of peace within a European and international framework—this in our opinion is the real task of enormous importance not only in the FRG itself but also in other countries—its direct and more distant neighbors in the "European home, and the powers that were the victors in World War II, and the entire world community.

List of Books Recently Published

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[Text] Alekseyev, S. S., "Pered vyborom. Sotsialisticheskaya ideya: nastoyashcheye i budushcheye"

[Before the Choice. The Socialist Idea: Present and Future]. Moscow, "Yuridicheskaya literatura," 1990, 192 pages.

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"Ekonomika zarubezhnykh stran. Kapitalisticheskiye i razvivayushchiyesya strany" [The Economies of Foreign Countries. Capitalist and Developing Countries]. Moscow, "Vysshaya shkola," 1990, 479 pages.

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Yumashev, Yu. M., "Mezhdunarodno-pravovyye formy vneshneekonomicheskikh svyazey YES" [International Law Forms of the EEC's Foreign Economic Relations]. Moscow, "Nauka," 1989, 255 pages.

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News of Institute Meetings, Activities

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[Text] Regularly scheduled sittings of the Institute's Scientific Council were held.

"The Economic Mechanism: Politico-economic Problems" was the subject of a paper presented by Professor S. M. Nikitin, doctor of economic sciences; head, IMEMO's Department of Effectiveness of the Economic Development of the Principal Capitalist Countries. According to his definition, the economic mechanism is the aggregate of all those forms of economic regulation and its legal-organizational principles that determine the distribution of production resources, dynamism and qualitative indicators, and above all, effectiveness. At the present time, the speaker noted, the comparison of two variants is of special interest: one, when the economy is based on the independence of individual economic units interacting with one another on the basis of commodity-monetary and market relations; the second variant, when its development is determined from one center (or a number of centers arrayed in a certain hierarchy). In the latter instance, we have before us an administrative-command economy. By virtue of the dominance of ideological dogmas, only recently have theoretical problems of the economic mechanism been separated from the political economy of socialism and the market economy has been regarded as being exclusively inherent in capitalism.

Even though comparative analysis attests to the long-term economic and social advantages of the market economy, S. M. Nikitin warned that it would be a serious mistake to become engulfed in market euphoria on the basis of this conclusion and not to take into account certain complicating factors that are applicable to our situation—first of all, the insufficient development of the principles of civilian society, democratic institutions, the excessively high level of monopolization, etc. As regards the complexity and debatability of the question of the possible combination of the market economic mechanism with socialism, in the researcher's opinion, the nonideologized pragmatic approach, to which considerable attention was devoted in the paper, has the clear advantage in its solution.

The speaker discussed at length the very urgent current problem of making the transition from the administrative-command economy to the market economy and expressed a number of assessments and suppositions concerning the possibility of using different variants and avenues of transition, especially the so-called "shock therapy." As world experience shows, the gravest social consequences generated by the shock—high unemployment and inflation at the same time—are usually incompatible not only with a democratic but even with a relatively liberal regime and require one or another form of dictatorship. It should always be remembered that our country has traveled the longest road in the bosom of a command-directive economy, acquiring as a result truly unique features: boundless "cannibalistic" disproportionality in the economic sphere, the supermonopolistic character of industry, the total statization [*ogosudarstvleniye*] of agriculture, the finished formation of the dominant psychological type of "antieconomic" man, etc. The overcoming of all this presupposes a long-term, specially conceived program, an important first stage of which, in S. M. Nikitin's opinion, must be the at least partial normalization of the economy through the reduction of inflation and the normalization of the consumer market. It is specifically the sphere of this market and the production facilities that serve it directly that can become the natural base for the gradual introduction of commodity-monetary relations into more capital-intensive sectors (the possibility of certain "shock" effects is not excluded here). The structural restructuring [*strukturnaya perestroyka*] of capital investments oriented toward the social-consumer reorientation of all production can and should be a key lever in the first reforms. In this sphere of heavy industry, it is important to have the able combination of the gradual formation of "free market levels" with the tasks of parallel creation of the wholesale market in the means of production.

Participants in the lively discussion of the paper included: V. A. Martynov, corresponding member of the USSR Academy of Sciences; doctors of economic sciences: I. Ye. Guryev, A. A. Dynkin, I. S. Korolev, V. I. Kuznetsov, V. V. Lyubimova, M. M. Maksimova, L. V.

Nochevkina, Ya. Pevzner; doctors of historical sciences: A. K. Kislov and V. V. Razmerov; and candidates of economic sciences A. O. Nichiporuk and T. Ye. Vorozheykina.

* * *

The Scientific Council heard and discussed a paper by Professor Yu. V. Shishkov, doctor of economic sciences; head of an IMEMO sector, on "The Formational Development of the World Community in the 20th Century: Results and Certain Prospects." By the end of the 90s, the speaker noted, the world system of socialism of the administrative-command type, had collapsed naturally. Violence against the laws of historical of the descent of mankind led to the explosion of artificially implanted economic relations and political structures. Thus the search for a special way that supposedly allows one to skip stages of history that continued over the greater part of our century produced a convincing answer: there is no such way. Against the background of the relatively calm and successful self-development of the capitalist formation in the majority of the developed countries in the world, such an outcome of the experiment naturally generated a splash of theoretical thought on the part of social scientists and stormy discussions of the suitability of the Marxist conception of the historical process. The paper discussed the basic approaches that have become apparent in the given sphere. In the scholar's opinion, the view that this conception excessively determines the course of history, by grounding it to the level of purely production processes stems either from ignorance of the entire creative legacy of Marx and Engels or from a primitive understanding of the Marxist philosophical and politico-economic category of "productive forces."

An artificial aberration—the commonly accepted name of a socioeconomic system is taken for its real content—has become widespread. It is important to ascertain whether "real socialism" is really socialism and whether "real capitalism" is capitalism at the end of the 20th century. Yu. V. Shishkov believes that it should be remembered that on a socioeconomic plane, the watershed between historical formations is based not so much on forms of ownership of the basic means of production as on the modes of distribution of the newly created product between the actual producer of the goods and services and the owner of the means of production and consequently also on the methods used to coerce the producer to work. The speaker dwelt in tis connection on characteristic features of postcapitalist (socialist) society which in his words stem from the entire creative legacy of the classics of Marxism and are a true system, all links of which are closely interconnected and complementary. Attentive and unprejudiced analysis of the modern socioeconomic system in the most developed Western countries shows that, taking such criteria into account, it no longer fits entirely the framework of capitalism even though it also cannot be classified under the heading of socialism. The researcher believes that in all its features such a society is transitional to postcapitalist society. At the same time, the main thing—socialism—does not exist in "deformed socialism" or in "barracks socialism." We destroyed the economic environment in which the normal natural historical process of maturation of genuine economic prerequisites of socialism was only possible. A dangerous combination of weakly developed productive forces and the hypertrophied monopoly of power that claims the volitional formation of a new social system according to a given plan in which all that remains of genuine Marxism is the wrapper. Under such conditions, the speaker emphasized, production relations could not objectively move forward toward postcapitalism, but turned backward to the precapitalist past: elements of economic relations and the political structure characteristic of feudalism returned.

In the system of historical coordinates of formational development, the society of "real socialism" is presently not ahead of "real capitalism" and is not even alongside it—on a parallel road—but is in the next echelon. Such a vision of our place in history may be shocking, but it makes it possible to understand our growing lag in a number of key indicators behind even a number of Third World countries. In this connection, Yu. V. Shishkov questioned the advisability of dividing the world community into "three worlds," at least from the standpoint of stages of socioeconomic development. The experience of history, he said in his summation, makes it possible for lagging echelons today to overcome each of the objectively necessary stages of development by a shorter, less painful path, and to move not backward to capitalism, but forward to the transitional echelon in the world community from capitalism to socialism, which is represented today by the leading Western countries.

Taking part in the discussion of the paper were: corresponding members of the USSR Academy of Sciences: V. A. Martynov and O. N. Bykov; doctors of economic sciences: A. V. Anikin, V. I. Kuznetsov, L. L. Lyubimov, and A. V. Poletayev; G. G. Diligenskiy, doctor of historical sciences; and K. K. Maydanik, candidate of historical sciences.

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A Soviet-American seminar was held at the USSR Academy of Sciences IMEMO on the topic "On the Road to Mutual Understanding: Fundamental Ideas and American Business Philosophy." Its organizers: the Institute's Scientific-Commercial Department and Bosrock and Company (St. Paul)—set themselves the task of making a thorough examination of the philosophical, sociocultural and legal principles of business activity in the USA. Existing experience shows that without a knowledge of many seemingly general questions, it is difficult to solve specific problems of commercial-economic interaction. Partners must know one another, must have a good understanding of the motivations, psychology, and other points essential to the effective mutual understanding that is so necessary for long-term cooperation.

A broad audience assembled for the seminar. Participants included a representative group of USSR people's deputies working in economic commissions of the nation's Supreme Soviet, specialists of central departments, and the heads of state and cooperative enterprises, and various social organizations from almost a hundred cities in the Union.

The moderator—T. Murray, an attorney and public figure (from state of Ohio)—repeatedly emphasized that the attempt would be made to demonstrate to those present a typical "American-style seminar," that is dynamic, open, and makes extensive use of modern audiovisual systems. It must be said that he was largely successful in doing so.

Sociocultural sources of business in the USA, the relationship between economics with morality, religion, family relations, and ethnic psychology were revealed by D. Basic, a professor of theology at the University of Toledo (state of Michigan [sic!]. His remarks were not entirely customary for our audience with respect to topic. They were emotional but thorough and analytical and evoked an active response on both days of the festival's work.

In the light of the task of building a rule-of-law state in our country, papers presented by Professor H. Berman of Atlanta, a well-known American specialist on the Soviet Union and in comparative law, generated understandable interest among those present. He emphasized first of all that the supremacy of the law is the basic principle of the American free enterprise economy. The existence of a multitude of economic agents interacting by means of market relations requires extensive, extraordinarily detailed legal regulation. The impossibility of legislating the entire wealth of life situations generated the institution of the "law of precedent" that is specific to the USA, whereby a court's decision on some concrete case becomes a useful reference point for other similar cases.

T. Murray addressed his remarks particularly to the complexity and occasional confusion of the U.S. system for the legal regulation of business. Using specific examples from his own practice, he showed the contradictory relations between federal law and the law of individual states, between legislative and executive organs of power. Court examinations are widespread, but it must be understood that they are always a long, costly process requiring a large number of highly qualified jurists. They presently number more than five million, which is an appreciably higher percent of the total population than in other countries.

In America there is also administrative regulation of the economy by "independent agencies." They are responsible, for example, for monitoring the state of the environment, for public health, for the local and national transportation network, for the development of the municipal economy, i. e., they resolve problems that are of a directly social nature and that go beyond the limits of private business activity. D. Gilligan, former governor of the state of Ohio, subsequent director of the Agency for International Development under the Carter administration, and the present director of the International Peace Institute at the University of Notre Dame (state of Indiana) devoted his remarks to problems in this area. He emphasized that a modern economy cannot get by without such institutions. However it is important that their power not become excessive and that they not get out of the voters' control.

The behavior of firms in the market is the subject of a widely applied special discipline in the West: microeconomics. Professor N. Eckle introduced Soviet listeners to the methods and accomplishments of this science.

According to the common opinion of the participants, the seminar was productive and businesslike and promoted the strengthening of mutual understanding and cooperation.

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