Revolution Within Socialism

The Economists of Perestroika

In a second on a series

In his book, "Perestroika: Soviet Economic Reform," Moscow University economist Mikhail Gorbachev calls the present "revolution" in the Soviet economy "the most important program for economic reform our country has had since Lenin introduced his New Economic Policy (NEP) in 1921."

This is no exaggeration. The changes are so sweeping and so transformative that a move from socialism to capitalism is a revolution in progress. The issue is not whether the Soviet Union will become a capitalist state; it is whether the state will allow private ownership and the market to determine the economic system. In other words, the transition to a market economy is effectively a revolution in how capitalism functions in the Soviet Union.

Thus, the economic reforms of the late 1980s are a revolution within socialism. The basic question is whether the state will permit private ownership of property and competition in the marketplace to determine the economic system. This is a critical question, as it will determine the future of the Soviet Union.

The reforms have already begun, and the results are evident. The state has begun to sell off state properties, including factories and restaurants. The government has also begun to introduce market mechanisms, such as price controls and currency reform. These changes are significant, as they are a departure from the state-controlled economy that has been in place for decades.

One scholar, Oleg Bogomolov, argues that "the use of value as a commodity—what is the value of a good and how do we determine its value—is a fundamental change in the way the economy works."

In some ways, the reforms are similar to the changes that occurred in China, where the government has allowed private ownership and market mechanisms to determine the economy. However, in the Soviet Union, the state still holds a significant amount of ownership, and the reforms are more gradual.

The state has also begun to allow private enterprises to operate, although they are still subject to government oversight. This has led to an increase in entrepreneurship and innovation, as private enterprises are more efficient and responsive to market demands.

The changes are significant, as they will determine the future of the Soviet Union. The state must decide whether to allow private ownership and market mechanisms to determine the economy, or to continue with the state-controlled economy that has been in place for decades.

ECONOMIC STRUCTURE

The scale and quality of Gorbachev's program to "stabilize" the economy were of a magnitude that in effect, was something no one had ever contemplated—a structural crisis of the Soviet economy. For the Soviet Union, beyond previous adjustments and modifications, Gorbachev's program of economic stabilization was a major structural change in the economic system. Gorbachev's reforms were designed to introduce concepts—markets, the law of value, commodity-money relations, etc.—which had, for a long time, been considered purely capitalistic categories.

Thus, Soviet economist Oleg Bogomolov argues that "the use of value as a commodity—that is, its correspondence to the "real" value of the product in the law-enforcement agencies in the economy, however, is quite another story. Initiative practices are incom- pable with it." (New Times, 31, 1987.)

At the same time, Popov acknowledges that the reforms may have been a "vi- able alternative to the "administrative" system developed in the early 1920s," and that the "socialism to be built in a country whose economic system allowed for a market was a reform of the old socialist model." At the same time, this country was at a level of development which provided no economic stimulus to the old system...The way I personally see it, the situation in and outside Russia is not such that we can shift to administrative methods of building socialism within socialism.

In the same vein, Abalkin states: "If certain economic forms such as market, banks and credit enhance production, efficiency, accelerate scientific and technological progress, the structure of the national economy, and do not contradict our principles, then we have to choose an economic policy that causes this economic growth and technological progress."

A closer examination of the reforms underscores the extent to which these new concepts about the nature of socialism are now finding concrete expression in Soviet society.

SELF-FINANCING

The linchpin of the economic reform is a new law on State Enterprises, adopted last fall and, as of January 1, now being implemented in roughly 60% of Soviet enterprises. The remaining 40%, which includes the bulk of heavy industry, will be brought into the new system over the next few years. It is expected that by 1991 all economic activity—with the exception of military production—will function on the new basis.

Under the new law, enterprises are responsible for paying their own costs, including wages, and are to be self-financing. This means that the enterprises will have to buy their own materials, machinery and energy supply, etc. This will mean that the state will no longer have to fund these costs, and the enterprises will have to determine their own production plans to meet these costs.

The state will no longer decide how much should be produced. Instead, the enterprises will have to determine their own production plans to meet these costs. This is a significant change, as it will give the enterprises more control over their production plans.

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