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NOTE

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In this paper the author opens with a knowing overview of some of the sources and conditions for ethnic stress in the USSR, and then analyzes economic factors, their contribution and manifestation, using the pogroms in Azerbaijan, and the Estonian model of Republican cost accounting as illustrative case histories.
MULTINATIONALISM AND THE TERRITORIAL ECONOMY

Boris Z. Rumer

Introduction

Among the many different problems now confronting the Soviet Union that of nationality unrest is certainly one of paramount contemporary concern. The dramatic events in the Caucasus have made perfectly clear just how deeply national enmities now pervade life in the USSR. An escalation in national tensions can now be discerned throughout the entire country--Byelorussia, the Baltics, Ukraine, Moldavia, Kazakhstan, Caucasus, Central Asia and Iakutia. At the same time, the Russian nationalist movement is gaining momentum and acquiring a distinctive character of its own.

A number of factors have contributed to these developments. Some contributory factors are obvious and well-known--historic ethnic animus, ecological catastrophes caused by reckless policies of the central ministries in Moscow, the decline of distinctive national cultures, and immigration (especially from Russia proper) that diminishes the proportion of the local ethnic population in a given area. Memories of the past also play a
major role in the formation of national self-consciousness. To be sure, not very many Tadjiks and Uzbeks remain to recall the terror that accompanied the establishment of Soviet authority in Central Asia. But there are a great many Estonians, Latvians and Lithuanians who witnessed Stalin's mass repressions (following the "voluntary" unification of their independent republics with the Soviet Union) and who can recall the large-scale deportation and annihilation of their national intelligentsias. Many can still compare life "before and after" by drawing upon their own experience. Whereas Uzbeks and Tadjiks find in Islam a constant source of discontent, Estonians have the example of Finland--so geographically and ethnically close--as a constant reminder of how they could have lived had they not lost their national independence.

But a further factor that has played a key role in exacerbating national tensions is the sharp economic downturn. Life in the USSR, where so many nationalities coexist and where nationalistic feelings have risen to fever-pitch levels, has become even more acute and dangerous amidst the growing deficit in elementary consumer goods, food products and galloping inflation. It is hardly surprising that minority nationalities direct their frustration and disgruntlement against the "big brother" (expressed by the belief that "the Russians don't live themselves but neither do they let others live!") but also against other nationalities.
As the economic crisis in the USSR intensified and economic management deteriorated, regional conflicts grew more intense and the gap between republican and central interests steadily widened. The perennial contradiction between localism of nationalists and the departmentalism of central production-branch ministries acquired distinct political overtones. Centrifugal tendencies characteristic of union-republics, which previously assumed the form of aspirations for economic autarky, have been complemented and reinforced by demands of political autonomy. Thus the study of national movements in the USSR is now, more than ever before, inseparable from the study of economic problems—and vice versa.

This paper seeks to illuminate (with no pretensions to exhaustiveness) some fundamental economic aspects of the nationality question in the USSR.

The Mounting Burden of Nationality Problems

In proclaiming democratization of the system and society, the Soviet leadership (indeed like the Soviet population at large) fails to realize that democracy is constant conflict, and that democracy in a multi-national state means constant conflict among the various nationalities. Whereas democratic societies seek to resolve these conflicts through legal, peaceful means, the Soviet system has thus far failed to develop such instruments
to resolve and adjudicate such conflicts. From the time of the 1924 uprising in Georgia and the liquidation of "basmachestvo" in Central Asia, the regime has relied upon brutal repression to extinguish the flames of national discontent. That reliance on military force and brutal punitive measures was abundantly demonstrated in Lithuania and the western Ukraine after the war, in Georgia in 1958 and in many other instances. But the application of such measures is absolutely contrary to the new course of the Gorbachev leadership. The problem, however, is that the system still lacks the legal, constitutional mechanisms to resolve the nationality conflicts that mount with each passing day.

The history of internal government development in the USSR had, by the 1970s, bequeathed a legacy certain to fuel tensions both among individual nationalities and in their relationship toward Moscow. For one thing, the boundaries among ethnic groups were drawn neither on the basis of popular will nor, in many cases, in accordance with the ethnic composition and size of the population. For example, one million Estonians have a union republic, but 7 million Tatars have only an autonomous republic. Or, the Adzhar autonomous republic still exists even though, according to the latest (1979) census, it is almost entirely devoid of Adzhar nationals. Originally ranked as an autonomous region, it was later elevated to the rank of autonomous republic. Another instructive example is provided by Karakalpakia, which has a population in excess of one million. At first this was an
autonomous oblast, then raised to an autonomous republic. Karakalpakiia has been shunted from Kazakhstan to the RSFSR, then from the RSFSR to Uzbekistan. Such designations are of course extremely important, for union republics, autonomous republics and autonomous oblasts possess very different rights, receive budgets on a radically different scale, and thus have unequal access to resources and their utilization.

The most painful question in the relationship between Moscow and the republics pertains to the unqualified right of the republics to self-determination in day-to-day practice. Of course the essential point is not the declaration of this right, but the creation of concrete legal procedures for its realization. The basis for a legal resolution of this question is a referendum or plebiscite. But it is precisely this path that is so unacceptable for Moscow: a plebiscite like that would be tantamount to a peaceful dismantling of the Soviet empire.

After seventy years of Soviet rule, the regime has still failed to create precise criteria for the state organization of nationalities. The constitution does not contain a precise formulation to regulate policy on this subject. Until the affair in Nagornyi Karabakh, the regime did not face a practical need to find a constitutional resolution to territorial-nationality conflicts. But, as the Nagornyi Karabakh conflict abundantly demonstrated, the existing constitutional formulae do not function; some indeed do not correspond to the spirit of the country's fundamental laws, while others are simply contradictory.
to each other. The result was the violent conflict over Nagornyi Karabakh—an unprecedented case, where two union republics formally observed the constitutional norms yet expressed diametrically opposite demands.

Hence, in the interrelationship of Soviet nationalities, there are two questions of cardinal importance that remain to be resolved: how do those who wish to live apart achieve this, and how do those who wish to live together attain that goal? A peaceful resolution of these questions in the USSR is only possible with the aid of the institutions of a democratic state, but these conditions are as yet nonexistent. But unresolved border disputes inevitably become wellsprings of new conflict, even violence. And a number of parties can be drawn into such conflicts. For example, disputes over borders in the Fergan Plain involve three republics (Kazakhstan, Tadzhikistan and Uzbekistan), all of which have a vital interest in controlling this paradisiacal oasis of Central Asia. One must also bear in mind that the relations among Kazakhs, Uzbeks and Tadjiks are anything but amicable. The key point is that not all questions can be resolved on a bilateral basis, but rather involve a far more complex constellation of multiple ethnic interests.

In essence, two views on border revisions now prevail in the USSR. One affirms the inviolability of borders (for fear that any deviation could trigger an uncontrollable chain reaction); the other proposes to create a system for the legal regulation of national territorial relations (in other words, a democratic
mechanism to alter political boundaries). The latter position, if ostensibly the more promising, nevertheless is still at the stage of mere rhetorical exhortation. How, given the existing order, could such a mechanism to regulate ethnic conflicts be created? Above all, this would be tantamount to creating a federal structure, the territorial units of which would possess the same degree of independence as states in the American system, Länder in the Federal Republic of Germany, or cantons in Switzerland. Significant in this regard are the comments of the Soviet philosopher and sociologist, Iurii Levada: "Officially, we virtually fail to deliberate the point in the constitutional discussion that today is most controversial of all—the problem of federalism and the autonomy of peoples. That [silence] has its own reason: the alternative solutions are still not prepared. But it is not quite clear what we are to do about the problems that nevertheless revolve precisely around this point. Demands for "order"—in lieu of decisions—have proved useless in one region, and they will not prove useful in others. . . ."¹

It is quite clear that Gorbachev is very reluctant to upset the status quo in the existing territorial-political structure for nationalities. That is doubtless the reason why Moscow clings to the inalterability of the present administrative-territorial boundaries. Any action in this area (no matter how unique it might appear, no matter however justifiable it might be on its own merits), would provide a precedent and could lead to the dreaded "chain reaction." It should be remembered that 55
million Soviet citizens (20 percent of the country's population) live outside the nominal boundaries of their national territories. It is my sense that Gorbachev understands the legitimacy and justice of the Armenian demands, but shrinks back from casting the stone that might set off a landslide.

This explosive situation in minority nationality areas, which will persist for the indefinite future, could be detonated by anything, even by something apparently inconsequential and trivial. It is fair to argue that the current leadership lacks the political will, the strategy and the tactics to avert the onrush of these conflicts.

The Psychological Factor

To comprehend the roots of the mounting nationality conflict, it is essential to recognize a central characteristic of the contemporary Soviet society. It is indeed a new, increasingly distinguishable phenomenon: mutual animus of Soviet nationalities. Indicative is a private letter from a female Muscovite intellectual, dated 25 November 1988. Her addressee describe her as "life-loving, active, anything but a pessimist." Yet little of that is discernable in what she wrote:

Well, what can I write you... Imagine a feast during a cholera epidemic. It is a carnival of masks,
bleach-white faces, frightening [visages], in the night before the end of the world.

I am not talking about the shortages. They were always there, although not in the same degree (we [now] lack the most elementary things—soap, detergent, cigarettes, sweets). I am not talking about the shortages; that is not what is so terrible. What is terrible is the atmosphere of phantasmagory into which we are drawn and compelled to participate. And [terrifying too] is the inevitability of the outcome, which of course (like everything in our country) will be horrible. The flood of ominous revelations that pour down from the newspapers only intensifies the feeling of hopelessness. So it was, so it shall be...

Many insane people have appeared. People cannot withstand the tension that they constantly find themselves. And there is also total social defenselessness. Of course not everyone understands this; only a few perceive it.

And the animosity! We live in an atmosphere of hate: at work, on the street. This mutual hatred of everyone toward everyone else bears some resemblance to the witchhunt of the early 1950s. This animus explodes in stores, on public transportation, wherever one must stand in tightly compressed groups and wherever it is particularly difficult.

In a word, this letter provides a graphic and devastating picture of nationalist tensions in the USSR.
The Soviet social psychologist L. Gosman has noted that Soviet citizens judge the world according to a binomial system of "ours" and "theirs." This system, quite naturally, easily produces the image of the "enemy." The outsider, some other ethnic group, is the enemy. After seventy years of rule, the Soviet regime has successfully vitiated traditional forms of self-defense, such as religion, family, property and the like. But national self-consciousness also constitutes a form of self-defense against an authoritarian regime. That is, it provides something which emanates not from the leader, not from official authority, but from the individual and provides a foundation for his own identity and self-respect. All normal, non-aggressive modes of forming national identity were either destroyed or obstructed. Moreover, the regime destroyed such secondary group associations as "local identities" (zemliachestvo), professional or occupational ties, and many others. The sole group which proved impermeable to destruction was that of nationality, even though efforts were made to erase the rudiments of this identification as well.² Under Soviet conditions, it is possible to feel oneself a member of a particular group only in ethnic terms. Many, however, have lost a real basis for such an identity; the national culture, its religious foundations, and (in many cases) even the language are forgotten. In these cases the single most effective method of "national definition" is purely negative—i.e., it assumes the form of opposition to some "adversary" nationality or nationalities.
A further factor shaping national self-definition is the absence of legal forms of protest: the Soviet system lacks not only the political forms of protest, but also the psychological mechanisms to articulate dissatisfaction. The entire system of upbringing and propaganda is permeated by the concept and stereotype of the "good person" (khoroshii chelovek), who does not experience anger toward those close to him, or toward the government, or toward other peoples. Rather, the "good person" is programmed to vent personal anger and frustration toward a set of rather different objects: American imperialism, international zionism, or German revanchism. But the latter, as objects of personalized animus, do not function very well: German revanchism seems nonexistent, American imperialism equally unreal, and even international zionism seems more abstract than abhorrent. But negative feelings are a normal component of the human psychology; the Orwellian "five minutes of hate" are an essential element in the mental toning of those who live in a totalitarian state. But if a person has no opportunity to express such feelings, then either he must sublimate them (the result: individual and mass neuroses) or he must rationalize and justify them ("if I am such a good internationalist, why do I detest yids, 'chuchmeki' [Uzbeks], 'armiashki' [Armenians] and all the others around me?")\(^3\)
The Azerbaijan Pogroms: the Economic Background

The explosion of nationalist hatred has acquired particularly aggressive forms in multi-national areas of the USSR with a high population density and rising unemployment.

Azerbaijan offers a good example of these phenomena. The rate of population growth in this republic is second only to that of Central Asia: in 1985 its population grew at the rate of 20 per thousand inhabitants—compared to just 5 per thousand in the RSFSR. As already pointed out, the industrial structure of this republic (as in the other Moslem republics) is dominated by the production and preliminary processing of raw materials; the light and food industries are also relatively well developed. Investments have concentrated mainly on increasing the production capacities in these sectors, with an absolutely unsatisfactory record for the expansion of capacities in the manufacturing industry (especially machine-building) and social infrastructure (housing, etc.) Thus, whereas the volume of capital investments for the social infrastructure increased by 48.5 percent for the USSR as a whole between 1970 and 1984, the growth in Azerbaijan stood at a mere 1.3 percent. During this same period, the USSR recorded a per capita increase of 24 percent for housing, 67 percent in child-care facilities, and 46 percent in hospital and sanatorium space. In Azerbaijan, by contrast, the same figures were drastically lower—12.5 percent for housing, 39.6 percent
for child-care facilities, and 19.4 percent for hospital and sanatorium space.\textsuperscript{5}

The hyper-concentration—over an extended period of time—of investments on the industrial development of a small part of the republic's territory has caused a large influx of labor. That, in turn, has aggravated the problem of overpopulation. At the present time, two million people (comprising 30 percent of all inhabitants in the republic and 60 percent of its urban population) live in the Baku-Sumgait belt.\textsuperscript{6} As a result, this area has spawned an urban agglomerate that is really quite enormous (given the size of the republic), and this spontaneous development has generated enormous, virtually insoluble social and economic problems. Because of the oversaturation of the labor market, unemployment has been steadily on the rise. And Baku is encircled by a ring of shantytowns, with hundreds of thousands of inhabitants—many of whom lack regular work and live off temporary jobs. Here the black market is in full swing and, naturally, the crime rate is exceedingly high. Moscow journalists who investigated the situation in Baku in 1987 came to this candid assessment: "We do not wish to overdramatize the situation, but many tragedies could be averted if Baku did not have so many people without the means to support themselves."\textsuperscript{7}

But the economic structure that developed in Azerbaijan, especially with respect to industry, has caused a relatively low level of wages for the work force. Light and food industries produce over 50 percent of the industrial output and employ about
38 percent of the industrial workers. But the wages of workers in these sectors, on the average, is 20 percent lower than that of industrial workers as a whole. The highest industrial wages are found in machine-building, but this branch is very weakly developed in Azerbaijan and its expansion there is impeded by the shortage of investment capital.

A decline in petroleum production, the underdevelopment of machine-building, and the reduction of investments to create new capacities have all led to substantial number of lay-offs in the republic. To slow down this rise in unemployment, with all its attendant evils, Azerbaijan has conducted a vigorous campaign to encourage workers to migrate to Siberia and the Far East. Azerbaijanis, however, show no enthusiasm to abandon their homeland; like other Moslem peoples in the USSR, their rate of migration mobility is extremely low. Even the hitherto modest rates of emigration have had an alarming, negative impact on the ethnic group, providing Azerbaijanis with a clear idea of the pernicious demographic consequences of such migration. For it is chiefly men (especially young men) who migrate, with the result that in many villages and cities the unmarried (mostly young) women outnumber the men. And this disproportion has tended steadily to worsen. Thus migration will only further distort the sex and age structure of the population, and that has provoked growing criticism and opposition from circles of scholars, sociologists and the Azerbaijan intelligentsia at large.
One outlet for nationalist hatred is economic relations.
The "elder brother" in Moscow is convinced that he is sacrificing
his own prosperity and self-interest by helping the less
developed brothers of his big family. The following comment is
highly revealing of this mentality:

In a number of regions, efforts are made to exploit the
nationality problem as a smokescreen for open assessments
and extortion. Up to the present time, rumors are
disseminated that the central organs are plundering the
republic and are, in essence, only concerned about the
interests of Russians. . . . To achieve real equality in
economic development, colossal material outlays and an
enormous organizational work are needed. Who could assume
responsibility for all this? In the first place, it had to
be the most numerous of peoples, the most developed in an
industrial sense, those which have boldly embarked on the
path of building a new society. . . . The inequality could,
in a short period of time, only be overcome by having the
Russian proletariat render extended assistance to the
backward peoples of the Soviet Union. . . . In the 1930s
more than 60 percent of the expenditures in the budgets of
most national republics were covered by revenues from
central sources. . . . A similar practice has, to a
significant degree, persisted to this very day. In
particular, the 1988 budget plans to spend almost 5 billion rubles as subsidies for three republics—Kazakhstan, Uzbekistan and Kirghizia. In the second half of the 1980s even Lithuania began to make use of subsidies. The result was a threat that a new kind of inequity would appear: nationalities which had previously aided others began to drift into the category of backward peoples. . . . The relationships among nationalities were subjected to corresponding distortions.

The author—a prominent scholar from the Institute of Government and Law (at the USSR Academy of Sciences)—concludes his reproaches to the national republics with the following words: "It is essential that every nationality know to whom it is indebted; and who, for what, is in its debt." 11

But the population of national republics does not in the least believe that it is indebted to someone else. On the contrary: each national minority believes that it produces more than it consumes, and that Moscow feeds itself at their expense. Thus it is a commonly accepted view among Estonians that their republic supplies much more to the other union republics than it receives in return (especially with respect to agricultural products). It bears noting that Moscow accuses Estonia of just the opposite—a charge that has provoked intense indignation among Estonians. Academician Bronstein has noted in this case that "the population of the republic was left with an unpleasant
feeling after people learned that we receive more from the central fund than we contribute."12

What makes such controversies so complicated is the fact that the Soviet system provides no basis for an objective assessment of each region's contribution to national income. In essence, an objective assessment is impossible under the existing system of arbitrary price-formation by state authorities; without a market-value guide to economic values, the Soviet economy lends credibility to virtually any opinion on this subject and fails to provide irrefutable guidelines to measure the flow of resources and goods. As a result, each party finds no difficulty in citing evidence to support its view.

Whatever the truth of the matter, the existing order therefore makes possible the perception of economic discrimination, and that in turn provokes a demand in national republics for their own economic autarky. This aim has been incorporated in the notion of republic "cost accounting" (khozraschet), a conception that has received its fullest expression in Estonia, which is in the avant-garde of the movement for economic and political sovereignty. Estonian intellectuals--economists, philosophers, lawyers, sociologists, journalists--have created a brain center, which is working out the conceptions and forms of republican sovereignty. Above all, their efforts are aimed at creating a conception of the republic's economic cost accounting and the conditions for its realization.
The Estonian Model of Republican Cost Accounting

Strictly speaking, this concept is still not fully developed and remains in a stage of gestation, having been delineated only in its general outline. Several working models are currently under consideration, and the whole process has generated considerable disagreement. But the fundamental idea for all these differing approaches is the same: the creation of a republican economy that operates on the principle of cost accounting (khozraschet). The key point is that republic-level cost accounting is antithetical to departmentalism controlled from Moscow. As such, it is a clear reaction to what one member of the Estonian Academy of Sciences (M. Bronstein) called "departmental banditry." The primary goal of republican cost accounting is economic sovereignty for the republic. Attention is therefore focused on the development of a system which would balance the power of the republican leadership against that of central authorities. But this means that the concept of republican cost accounting contains some elements of political independence as well. Hence progress toward republican cost accounting is inseparable from a movement toward political sovereignty. 13

There is no unity among reformers on their goals and methods. In general, those who are participating in the
formulation of a program for republican cost accounting can be broadly divided into two main categories—moderates and radicals.

The moderates caution against being too rash and leaping ahead of the other republics. Taking into account the fact that an "All-Union Commission on the Improvement of Management, Planning and Economic Mechanisms" has been created, the moderates would much rather defer to this agency and to emphasize that it has yet to consider the issue of cost accounting at the republic and oblast levels. The moderates also warn against undue expressions of emotions (a euphemism for nationalistic feelings). In their thinking they try to adhere to two inviolable principles—that of socialism and that of a fully integrated Soviet economy—and argue that it is impossible to ignore these two factors. Au fond, they therefore contend that the concept of republican cost accounting can be implemented only within the context of a union-wide economic reform. Moreover, as their ultimate goal of republican economic reform, the moderates seek to increase the republic's contribution to the development of the Soviet economy as a whole. In their view, it is sheer fantasy to imagine economic autonomy of a republic that is part of the USSR. Nevertheless, they do believe it is possible to replace the present administrative system with an inter- and intra-republican market mechanism to regulate the flow of goods into and out of the republic. In their view, that should be the main goal of economic reform. But this, above all, requires a reform of the existing system of price-formation, a task that will require
time. For that reason they conclude that the establishment of
republican cost accounting must be a long-term objective.\textsuperscript{14}

In contrast to the moderates' vision of republican cost accounting, the radicals espouse a far simpler version of this idea that is considerably more accessible to the general public. To quote one statement of the radical view:

Cost accounting means material rewards as well as accountability for the results of one's labor. In general, you can spend on your needs only what you have earned. There is no outside help. But neither is there to be outside interference; however, you spend as you please what you have earned. This principle is applicable not only to an enterprise or industrial branch, but to an entire region and (in our case) to a republic.\textsuperscript{15}

The radicals' fundamental objective is to create a separate republic economy, which would be set apart from the rest of the Soviet economy and oriented more toward the demands of Western markets.

Although there is obviously considerable disagreement on the issue of republican cost accounting, it should be stressed that the various factions do agree on other issues. For instance, both moderates and radicals think that their republic's national income belongs to its own people and should be spent in accordance with their interests and needs. Both sides, further, agree that the republic should constitute a self-contained economy; although the republic should remain an equal partner in
the marketplace of the Soviet economy, it should trade goods and services with other republics only so long as such trade is profitable. But that will not be possible until the system of price-formation in the entire Soviet economy has been reformed. But once republican cost accounting is established, the republic will make contributions to the federal union budget through payments (based on norms set for a specific period of time). The republic will participate in federal programs such as defense and the production of strategic goods by filling central orders to enterprises in the republic. But, add the radicals, the share of such central orders should not exceed 20 percent of total republican output.16

As a rule, the radicals tend to have more concrete solutions to the key conceptual problems of the reform, while the moderates put forth only general outlines. In particular, the radicals insist that Moscow surrender its control over most of the industrial enterprises that are located in the republic, including those currently under the jurisdiction of union ministries. The republic must be fully responsible for its economic development and control all the resources located on its territory. It should also have authority over all investment activity. Union ministries and agencies should be forbidden to issue any orders to republican institutions and enterprises. Disputes arising between the central and republican authorities should be resolved by a special constitutional court established specifically for this purpose. The executive branch of the
government at the republican level will have veto powers over the activities of central authorities which infringe upon the sovereign rights of the republic. All these suggestions have been incorporated into the draft proposal for republican cost accounting that was prepared by a special task force (which was established by the Estonian Supreme Soviet at the republican Ministry of Justice). 17

Leading ideologists of the moderate wing, whose ranks include two leading economists and members of the Estonian Academy of Sciences (Mikhail Bronstein and Arno Keerna), show more caution and restraint in their proposals. Bronstein, for example, has argued that the republic cannot assume full control and implement the investment program on its own and that it still needs federal support. He is, however, also quite critical of the "dictatorship of extra-territorial agencies" and the power of the Moscow bureaucracy over the republic's economic policy. But thus far he has stopped short of offering a specific plan of actions.

The problem of exports has received the greatest attention in discussions on the conception of republican cost accounting. The focus has concentrated on the problem of reorienting the Estonian economy toward Western markets or, as it is called in Estonia, the "Western" model.

But some economists are critical of such schemes. Thus Academician Bronstein has urged proponents of such ideas to stop dreaming and to "come back down to Earth." To purchase Western
goods and technology, it is obviously necessary to sell Estonian goods on Western markets. But, as Bronstein asks, what does Estonian have to sell?¹⁸

The president of the Estonian Academy of Sciences recently convened a meeting of experts to assess the republic's raw material, human and technological resources and to consider the prospects for foreign trade. The conclusion of this meeting was not encouraging: the experts agreed that, given the present industrial structure and the quality of output, Estonia was not competitive in foreign markets. The idea of establishing a special economic zone for free trade and foreign investment (based on the Chinese model) was also given consideration. But, as Bronstein pointed out, that Chinese model would hardly work in Estonia, for it was based on an abundant supply of cheap labor. Estonia has just the opposite condition—a shortage, not a surfeit, of labor. Therefore, argues Bronstein, the radicals' proposals for the free economic zone quite simply lack a foundation in economic and social reality.¹⁹

Indeed, the ideas and concepts advanced by radical Estonian reformers do not appear to be a product of professional economic analysis. Rather, the radicals' formula is less an operational program than a manifesto to proclaim the republic's economic autonomy, for it fails to take into account the available resources, political situation and real opportunities for foreign trade. The mechanism of interaction between republican business accountancy and other regions has not been sufficiently developed
and analyzed. The issue of individual enterprises' contribution to the republican budget likewise remains vague and uncertain. These and many other practical questions have not received a direct answer from the proponents of radical reform.

Although the moderates have also failed to address these questions, they do not seek to propose a revolutionary socio-economic transformation in the republic. Rather, they advocate much slower, more cautious steps within the larger framework of an economic reform in the whole Soviet economy. The moderates propose to follow Moscow's instructions and continually emphasize the need for "detailed analysis" and "serious efforts." They are particularly critical of the radicals' sensational nationalist claims and pretensions. In the acerbic phrase of Arno Keerna, a leading Estonian economist: "Emotions will not achieve anything, even if this is psychologically understandable--like the joy of a baby calf at the sight of new grass after a long winter in the barn." 20

The struggle for republican cost accounting, quite apart from the feasibility of this concept, has become an expression of Estonian national self-affirmation. But it should be noted that only ethnic Estonians endorse this idea; Russians living in Estonia (who comprise 40 percent of its population) are either indifferent or hostile to the idea. The reason is that they see the scheme simply as an anti-Russian campaign for economic and political independence, as an expression of Estonian nationalism. The anti-Russian component is plainly evident in practical
measures intended to stem Russian immigration into the republic. Likewise, the idea of emigration—the exodus of ethnic outsiders—has also become increasingly popular, with proposals to give financial remuneration to non-Estonians willing to leave the republic.\(^{21}\)

In short, Estonia has become the epicenter of regional-economic separatism. The concept of republican cost accounting, accompanied by changes in the political structure as well, has also become popular in other republics, including the Ukraine, with far more frequent expressions in the Soviet press.\(^{22}\)

The Discussion of Republican Cost Accounting

The situation of republican or regional cost accounting has not made much headway in the period following last year’s party conference. It is obvious to all that something must be done toward increasing the political and economic independence of the union republics. But the Estonian model is clearly too radical, however much the "moderates" in the Estonian camp endeavor to soften the edges and make it acceptable to Moscow. At the same time, no alternative model has been offered to that of Estonia; the latter has been roundly criticized, but no constructive proposals have been advanced as an acceptable alternative.

In January 1989 Gorbachev, while commenting on the political reforms underway, declared: "It is necessary next to adopt
important laws, the preparation of which will involve the participation of representatives of all the republics, with respect to increasing the independence of areas and the transfer to the principle of regional cost accounting.23 But, to judge from what has been published, the discussion around republican cost accounting is still on the upswing, with no end in sight. In a word, the debate drags on and on—just like that involving a reform in price-formation. The course of the discussion has shown a characteristic tendency: the idea of republican cost accounting is endorsed in principle by the representatives of the more or less advanced republics (Byelorussia, Ukraine, Lithuania, Latvia, and Georgia). But the leaders of those republics which lag substantially in the level of social-economic development (Central Asia, Kazakhstan and others) remain silent on the idea. Here too one can discern a competition among republics for resources. The representatives of backward republics focus attention chiefly on the population's standard of living and on this basis make their demands for a redistribution of resources in their favor.

The essential arguments of those opposing the principle of republican cost accounting are concisely formulated in the following.

From the perspective of scholars in the area of Soviet regional economies: The very idea of a "republican cost accounting" is gibberish. What can "cost accounting of a union republic" mean? Its proponents seek to counterpoise this
economic structure to economic and administrative centralization. But centralization, in its present form, is no less ruinous for regions of the RSFSR than for the national republics. Hence it is essential to raise the question of regional, not republican, cost accounting. But the entire experience of the world proves that a market economic is incompatible with self-enclosed regionalism. Therefore, if one seeks to shift to a market economy, one should not seek to establish the economic autarky of regions. 24

From the perspective of central administrative organs: The Estonian model proposes that all the republic's income be considered its own property and that it divert part of these revenues to the federal budget (to finance general state goals, which encompass only defense, foreign economic activities, and support of the administrative apparatus). In this case, territories will be separated from the general economic complex of the USSR, and resources will be used essentially for the development of a given region, without regard to Moscow's interests. The result would be sharply reduced capacity for a centralized policy toward economic structures and investment. But more important still, such an approach would deprive the central government of a reliable fiscal base and make it wholly dependent upon the republics. Especially at the present time, when the budget deficit (by the admission of Soviet economists) has reached 11 percent of the gross social product, Moscow can hardly give up control over its mechanisms for raising income.
Hence, from its perspective, the establishment of republican cost accounting (at least in the Estonian variant) would undermine the bases of centralized economic administration and, in the final analysis, result in a loss of authority over the republics. 25

From the perspective of economists who favor a market economy and the transformation of the USSR into a federation of truly sovereign national republics: The republican cost accounting, as conceived by its proponents, would not radically change the present system if the present structure of the Soviet social-economic and state system is preserved on an all-union scale. According to this view, the stress on transferring control over all industrial enterprises to republican governments (entailing a "fusion of state and economic functions") merely creates an illusion of economic autarky. In essence, republican cost accounting would ensure the preservation of a command economy, only now within a republican boundaries. This was precisely the path chosen by the Estonian leadership in the summer of 1988 when it formed republican committees for industry, agriculture, transport, fuel and other sectors. It would be naive to assume that local leaders will be more sagacious than their Moscow counterparts. In short, as long as the current political system is maintained throughout the country, Moscow will still control the levers that will enable it to manipulate each republic's government. Hence the chairman of each republic's Council of Ministers will simply become a "union
minister in charge of a given territory." The republic leaders who run that region's economy will merely transmit and implement orders from Moscow. The end result will be the same, except that it will all be camouflaged as independent decisions. Economic development of a republic cannot be obtained by modifying the agent of state intervention, but only by liberating the republic from state tutelage and control altogether. The republic should be neither a resource supplier (as it is today) nor an autonomous producer of goods (as envisioned by some proponents of republican cost accounting).

Rather, according to this view, the republic should be a sovereign state that "carries out its sovereign functions with respect to free producers of goods." This concept is based on the following set of ideas: (1) the free production of goods; (2) the republic's economic sovereignty; and (3) the delegation of some sovereign functions by the republic to the federal union government. The first point--free production of goods--refers to the right of each producer to determine the amount and assortment of goods (as well as their price), to find suppliers and buyers, to set wages, to spend foreign currency as he sees fit, and to exercise full control over profits. Point two on the republic's economic sovereignty implies full rights over its mineral and water resources, ownership of the fixed capital of state enterprises, unlimited right of taxation, the right to authorize tax incentives for all economic branches (including export and import from other republics and foreign countries),
development of raw materials and fuels, the right to finance social welfare programs with tax revenues, the power to create pension funds, and the authority to finance business by independent republican banks. Point three--on the delegation of powers to the federal government--entails such things as monetary contributions to the central budget, imposition of union-wide taxes on producers, participation in the financing of defense and other foreign policy programs.26

In short, this proposal foresees a free federation of republics with a market economy, a largely independent fiscal and trade policy, an autonomous banking system, and certain economic obligations toward the federal union.

As should be clear, this concept is essentially a transfer to Soviet territory the model of state and economic arrangements found in national federations in the free world. It is difficult to imagine that this conception of development in a republic's economy will find much sympathy and support among the present Kremlin leadership. But it has profoundly affected the reform movement in the Baltic states and provides the fundamental elements of a broad program for radical economic reform in the USSR.

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In conclusion, this paper has suggested several main theses on the interrelationship of nationalism and economics in the USSR.
today. First, the economic crisis of recent years has had a profound impact upon nationality tensions, aggravating old enmities and providing cause for aggressive defense of republican and regional interests. Second, the existing order of resource transfer provides grounds for discontent; although the price-setting mechanism denies verifiable measurement, minority nationalities often perceive and assume a negative flow that favors Moscow and harms local interests. Third, the attempts to encapsulate republican economies have been most vigorous in Estonia, chiefly through its various schemes for cost accounting. But those discussions have thus far had no practical result and indeed, in many respects, prove at variance with plans for the kind of liberal economic reform—establishment of a market economy and decentralization—needed to revitalize the Soviet economy.
Notes


2. The efforts of regime ideologists to fabricate, and theoretically justify, the creation of a single "Soviet nation" elicited opposition from all national groups, the Russians included.

3. In part, the hatred can be canalized against a certain ubiquitous secret enemy—Jewish Masons, the CIA, or (in the 1930s) wreckers. New objects of hatred are now being encouraged by the contemporary ideological leadership and propagandized in the mass media: the mafia, bureaucrats, Stalin, Brezhnev and their entourage. More spontaneous hostility has erupted toward the entrepreneurs of the new cooperatives for driving up prices to acceptable levels.


9. V. Adriianov and D. Melikov, "Dobrovol'tsy,"

10. Ibid.

11. G. Litvinova, "O ravenstve i ravnopravii,"
Sotsialisticheskaia industriia, 4 June 1988.

12. M. Bronstein, "O kontseptsii respublikanskogo khozrazcheta,"


14. M. Bronstein, "O kontseptsii."


16. Ibid.


18. Bronstein, "O kontseptsii."

19. Ibid.

20. Arno Keerna, "Respublikanskii khozraschet."

22. An example of the popularity of this concept was an article by an economist E. Mikhailov published in Moskovskaia pravda, which examined the possibility of transferring Moscow to a self-financing basis. See the citation in "Respublikanskii khozraschet: dalekaia perspektiva ili real'nost'," Sovetskaia Estoniia, 17 April 1988.


24. See, for example, "E. Alaev, B. Khorev, "Kak sniat' napriazhenie?" Sotsialisticheskaia industriia, 30 December 1988.

25. See, for example, V. Panskov, "Territorial'nyi khozraschet," Ekonomicheskaia gazeta, 1988, No. 44.