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THE CONVERGENCE HYPOTHESIS REVISITED

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Reforms in the Socialist System:
The Convergence Hypothesis Revisited.

Executive Summary

It was a combination of the first wave of economic reforms initiated in the Soviet Union following Stalin's death and their spread to Eastern Europe, and the simultaneous post World War II emergence of big public corporate sectors and the welfare state in many Western market economies, that gave birth to an active discussion of the convergence hypothesis of socialism and capitalism. Over the last decade or so, inspired especially by the sweeping economic, social and political reforms in the Soviet Union since 1985, but also by changes in Hungary, Poland and China, the interest in the convergence theory was not only revived, but in some cases even transformed into the concept of submergence of the now declared failed socialist system into the orbit of the Western liberal democracies. Statements to this effect were made recently, among others by Brzezinski (1989) and by Francis Fukuyama in his highly provocative article "Have We Reached the End of History?" (1989). And indeed many of the announced reforms, the first steps of implementation, as well as the rhetorical public discussion and documentation that surrounds them, contain many changes that clearly transcend the boundaries of the socialist system and embody both concepts and institutional arrangements that are among the basic attributes of the liberal-democratic, mixed-economic systems of the West. A short list of such concepts, including in the economic sphere the market mechanism, competition, a new system of property relations, and democratization, human rights, freedom and glasnost' in the social and political areas, is sufficient to make the point.

The present paper sticks to the concept of convergence, and it is intended as an introductory discussion of a much larger project that will investigate in detail the most important systemic and institutional changes under the present and future reforms in socialist societies, from the perspective of a movement toward arrangements which are at present part and parcel of the Western system.

We have decided to stick to the concept of convergence for two main reasons. First, we leave it to the conclusion of the larger study to determine to what extent and in what aspects full submergence is really justified. Second, and more important, it has to be remembered that the present so called Western system, has over the last decades been going through a series of very significant changes, many of which can be characterized as a movement in the direction, (some say in response to the

challenge) of the socialist system. This is true with respect to the development of the welfare state, the rise of the public sector and of planning and regulation. The socialist system, with its rigid doctrine did not participate in that process of change in the past but seems to be ready now, indeed to be forced, to come along.

The paper surveys the existing convergence literature and distills from it a concept or definition of convergence that follows to a large extent Kerr, 1983, that is based on the optimization tendencies included in the pioneering work of Tinbergen, but allows the process of progress to proceed along a non pre-deterministic path, and along a quite wide range of variants; that is, it is a pluralistic approach. Convergence is created by the relative uniformity of human nature and of social goals, when they are allowed to be determined democratically; by the existence of international competition that encourages the choice of the best proven means to achieve given goals, and the aspiration of societies deprived of some of the desired goals, like liberty, to achieve them. It is also claimed that personal, social and political liberties are not only a major social goal, but eventually a necessary condition for achieving the economic goals of society. Finally, that dogmatic rigidity, a vehicle for change in initial stages, becomes a major obstacle to progress and to convergence, and that the concept of convergence embodies a measure of flexibility and pragmatism as to the (institutional) means by which to work for the general goals. In essence this is a restatement of the old traditional convergence hypothesis.

In view of the above, the historically diverging trends of the Soviet Union are reinterpreted. The diverging goals of the socialist societies were, of course, not a result of free social choice but of a goal function selected by an authoritarian regime. More importantly, in contrast to the existing convergence literature, the different set of goals was not in the direction of opting for more equality and economic security at the expense of efficiency, but in the first place it was a choice in favor of maximum growth through a high level of investment, in the direction of heavy industry and the building of a strong military capability; at the expense of consumption level and the welfare of the population. While equality and economic security were part of the ideology and of the goal function, it was never intended or recognized that the achievement of these goals may come at the expense of growth or efficiency. The socialist system was expected to be more efficient and more just, but whenever a trade-off presented itself the choice was made in favor of growth. The paper demonstrates the subordinate position of equity considerations to those of output maximization. True, ex-post the Soviet Union did achieve a somewhat higher level of equity, and in some areas also a higher level of security, and there also developed a tradeoff with efficiency, but these are now strongly criticized, and again the highest priority is assigned to

efficiency.

Economic change in a converging direction was forced on the Soviet Union first of all as a result of its failure to continue to advance along its own, diverging, goal function. For some time the system had been failing to provide for minimum rates of economic growth, and eventually it was unable to continue to support the needed military efforts. The postponement of reforms in the 1960s, was a grave mistake made by the leadership at the time. It contributed to the rejection of the convergence hypothesis, and managed to muddle the Soviet system through for a few more years, but at a very high cost, manifested by the problems of the present day reforms. The mistake of postponing the reforms proves the applicability of the convergence hypothesis, rather than disproving it.

The pressures for change came in the first place from above, to save the system and the state. But it was realized right away that there is no way to proceed by pursuing the old goal function. Not only the major institutional arrangements of the system had to be replaced, - central planning and administrative control by markets, competition and free prices, and general public ownership by more decentralized ownership relations - but that the new means in themselves, and the enlistment of the active participation of the alienated and disillusioned population, necessitates a shift in the goal function, again in a converging direction; that is, to include higher allocations to consumption, and more political and personal freedoms. In addition to the instrumental function of the changes there is also a reformulation of the goal function, again in a converging direction, that reflects the recognition of a wrong past emphasis on the military, even military hardware aspect of power, and the developing of a more balanced view that takes into account the capabilities of the Soviet Union, and the roles played by economics and the well being of the population in the general power equation. These are manifested in the 'new thinking' and on the decision to reallocate resources away from defense and investment toward consumption.

The pressure for change also came from below. At the beginning the pressure was mostly in the form of a reduced level of work effort and participation, and a turn to the second economy, which further aggravated the economic crisis; but eventually direct pressures were applied in the form of active dissent.

The paper goes on to discuss the nature of the two major clusters of economic reform, the move to markets and the changes discussed in the sphere of property rights, and the relationship between those changes and the accepted socialist ideology. The need for marketization needs little elaboration. The change in the structure of property relations is essential, first in order

to eliminate the negative consequences of the present system of ownership by 'society,' which means by nobody. It is also needed as a tool to change the present system of meager opportunities for entrepreneurship, effort and risk taking, and the correspondingly low level of available rewards. The low level of rewards for existing opportunities is part of the problem, but the low level of both is the most significant problem. It is not clear how much change the reforms will bring about, and whether the extent of changes will be sufficient in order to invigorate dynamic technological and entrepreneurial activities. The paper discusses the ideological hurdles that have to be overcome, in allowing or tolerating seemingly private property, a capital market, the receiving of unearned incomes, the widening of income inequality, bankruptcy and unemployment, and of the employment of people by others. The paper discusses the needed shifts, also in a converging direction, in the fiscal and welfare systems.

While most Soviet writers still reject the convergence hypothesis that the Soviet Union will eventually merge into the Western mixed-economic system, there is a growing body of literature that in fact makes the hypothesis much more tenable. This literature includes the rather extreme criticism of the distorted and deformed Soviet socialist system and the need for radical change; an increasing volume of articles that view the development of the mixed-economic system in the West in a positive way, describing these developments as a convergence of capitalism toward socialism, in response to the socialist challenge; even recommending the adoption of some of the institutional arrangements of the West by the Soviet Union. There are many pronouncements along the lines of the new thinking, emphasizing international cooperation instead of confrontation. And finally, there is a growing voice that calls for de-ideologizing not only international relations but also the internal approach to solving economic and social problems, a more flexible and pragmatic approach.

There is a general refusal in the Soviet Union to come up with a new definition of 'socialism.' To the extent that pronouncements in this direction are made, they tend to concentrate more on the general social goals of socialism -- such as efficiency, social justice, humanism -- rather than on the institutional manifestations. That means that the limits of change have not yet been set, and that the Soviet system will continue to move in a converging direction, provided that the reforms are allowed to proceed. It is difficult to estimate at this point if they will go all the way.

Reform in the Socialist System
The Convergence Hypothesis Revisited¹

I. Introduction

It was a combination of the first wave of economic reforms initiated in the Soviet Union following Stalin's death and their spread to Eastern Europe, and possibly also some of the Soviet Union's military-technological successes; and the simultaneous post World War II emergence of big public corporate sectors and the concept of the welfare state in many Western market economies, that gave birth to an active discussion of the convergence hypothesis of socialism and capitalism.²

The academic interest in this discussion withered away to a large extent as it became increasingly clear that the reforms in the Soviet Union and in the rest of the socialist block did not go far enough. The setbacks to the detente of the mid-1970s, the beacon of hope for convergence theory, possibly also contributed

¹ Work on this paper was preformed during 1988/89 at the Brookings Institution where the author served as a McArthur geust scholar, and at the Harriman Institute for Advanced Study of the Soviet Union at Columbia University, where the author served as a senior fellow during the fall of 1989. Additional financial support for research assistance was provided by the National Council for Soviet and East European Research, (Grant No. 904-01). I would like to thank Roberta Waxman, Elizabeth Kirkwood and Gordon Bardos for their great help and efforts. The paper benefited from comments made by participants in seminars at the Kennan Institute, and at Brookings.

² Sorokin, 1961; Tinbergen, 1959, 1961, 1970; Kerr et al, 1960; Wiles, 1963; Prybyla, 1964; Zebot, 1964; Galbraith, 1967 pp. 389-92; Millar, 1968, 1981, pp.192-197; Pryor, 1973, pp. 351-371; Dunlop et. al., 1975; Shaffer, 1969; Gregory and Stuart, 1971 pp. 425 -442, and 1983, 547-549; Neuberger and Duffy, 1976 pp. 122-128; See also Daniels, 1985. Sorokin's book was first published in 1944 by E.P. Dutton & Co., New York.

to the decline. With the major exception of a book by Clark Kerr (1983), which surveys the old literature and concludes with a positive, albeit cautious note concerning convergence, most of the other writers until recently seemed willing to give up on convergence as a working proposition to describe present and future modernization processes. The best representative of this mood is probably Fredrick Pryor, who, in concluding a survey chapter on convergence, stated categorically: "In particular I argue that the case for convergence is both empirically and theoretically insufficient and that the anticonvergence case is more convincing" (1973 p. 337). Even Kerr, one of the earliest developers of the convergence idea, writing in 1981 before the current wave of Soviet reforms, concluded, in agreement with Pryor (1973), that the two major systems, capitalism and socialism, would continue to develop along two separate routes, though at a narrower distance from each other: "In summary, it may be said that there has been convergence in economic structures; that this convergence has been on pluralistic industrialism, **divided into pluralistic capitalism and pluralistic socialism**,... each system becoming gradually more like the others; that this process of convergence is likely to continue, although currently moving at a rather slow rate; but that it will not, as far as can now be seen, wipe out differences in both means and ends," (p.96). In another place he writes: "I have come to be more sympathetic with the **Bipolar** solution of Pryor, particularly for the two superpowers engaged in a great military, economic, and ideological confrontation," (p. 29).

Over the last decade or so the reform movement within the socialist countries has picked up momentum both in scope and in depth. Major changes have been taking place in China; the Hungarian reform is maturing from its initial phase and is looking for new directions; Poland is emerging as a pioneer in

political reform; and the Soviet Union, under the leadership of Gorbachev and the banners of glasnost and perestroika, is contemplating a reform that, at least on paper, includes a number of innovative elements that if implemented successfully will transcend the long standing boundaries of the system and transform its growth strategy. The economic and general crises in the Soviet Union and other socialist countries which urgently dictated the need for reforms, and the wide scope of the reforms, both inside and outside the sphere of economics, brought about another reversal, an approach that may be called "post convergence."

Following his strong pitch for the "failure of Communism" proposition, Brzezinski offers communist societies two possible routes: "The first is to evolve into increasingly pluralistic societies. This would mean initially involving various degrees of mixed state and private economic sectors, legitimated by increasingly social democratic phraseology, which would thereby create in some cases the eventual point of departure for a popularly determined turn toward a predominantly free enterprise system," (1989, p. 253). Following a description of the present anti-Stalinist and even anti-Leninist criticism in the Soviet Union he specifies the second option: "The more practical path that someday could be taken by a boldly revisionist Soviet leader would be to redefine the meaning of Leninism so that it begins to resemble social democracy more than bolshevism" (1989, p. 49).

In his article "Have we reached the end of History?" titled after a similar statement in the affirmative made by Hegel back in 1806, Francis Fukuyama, having also declared the end of communism and its failure, states that the 20th century is concluding "...not to an 'end of ideology' or a convergence between capitalism and socialism, as earlier predicted, but to an unabashed victory of economic and and political liberalism"

(1989, p. 3); and then: "What has happened in the four years since Gorbachev's coming to power is a revolutionary assault on the most fundamental institutions and principles of Stalinism, and their replacement by other principles which do not amount to liberalism per se but whose only connecting thread is liberalism. This is most evident in the economic sphere, where the reform economists around Gorbachev have become steadily more radical in their support of free markets, to the point where some like Nikolai Shmelev do not mind being compared in public to Milton Friedman," (p. 12). These ideas go beyond convergence, indeed they declare victory and only leave room for **submergence**, as indeed Hayek (1935) and Rostow (1960) claimed would happen long ago. As is evident, the literature on convergence and the various views that have been articulated seem to correspond quite closely in chronology to the history of reforms and counter reforms.

As previously mentioned, the renewed reform movement came into existence in the wake of a serious economic crisis (or "on the verge of crisis," according to Gorbachev, (1987a), of growth rates declining to the point of virtual stagnation. The so-called extensive growth strategy of relying mostly on input mobilization had long since run its useful course, and the means for reversing the trend in growth rates and shifting growth into an intensive mode based on technological advance according to the basic model of modern Western-type economic growth has been sought.

The economic literature discusses what is, in effect, another variant of the theory or hypothesis of convergence: the convergence or economic catching up of late starting, or follower, countries to the leaders, (Gerschenkron, 1962, Maddison, 1982). According to this interpretation, a path of relatively rapid economic growth and economic and social modernization is followed by the late comers, either in the

footsteps of the leaders or along their own particular, independent routes. It was the failure to make any headway in the pursuit of this type of convergence, and indeed even facing serious prospects of falling further behind, that created the strong motivation for change and reform in many of the socialist countries. The literature on catching up has always discussed the question of whether the late comers, even if they initially pursue their own distinct course, will eventually converge on the system and growth patterns of the leaders at a later stage when they have approached higher levels of modernization. A more essential question for the socialist societies is whether the present efforts at economic convergence, that is, at catching up with the West in terms of economic development, must be channeled through a process which encompasses more than just their economic systems, thereby also affecting other aspects of their growth strategies. Can the former be achieved without the latter?

There is almost unanimous Soviet agreement that a turnabout of the present (deformed) socialist system cannot be achieved without radical reforms. Unlike the past, when economic reforms were attempted in isolation, the current Soviet reforms are presented as a strategy of broad changes encompassing not only the economy but also the polity, society and culture. Poland and Hungary are advancing ahead of the Soviet Union, taking a similar approach. Changes in these other spheres are presented not only as necessary conditions for successful economic changes, but also as desirable in their own right.³

Most of the economic, social, and political changes that

³ Every one of Gorbachev's major speeches contains discussion of the political, social and cultural spheres: see for example his speech at the June Plenum of the Central Committee, Pravda, June 26 1987, pp. 1-5, (1987a), and his book, 1987. See also Yakovlev, 1989a.

have been proposed, discussed and are being gradually introduced in the Soviet Union and the other socialist countries, borrow values and institutional arrangements from the Western democracies, thereby moving in a converging direction. This is so with respect to proposed changes in resource allocation - a shift from investment and military spending toward the consumer, and in the balance between equality and job security on the one side and economic efficiency and opportunity and human liberties, and the democratization of the political regimes on the other. There is a growing number of pronouncements and statements, praising some of the economic and social achievements of the Western mixed economies - welfare states, together with a readiness to learn from their experience and to import major institutional arrangements and policies. In most cases, the declared goal of the reforms is to recreate a new, 'true' socialist system replacing the deformed and distorted system created by Stalin, but the concept of converging toward the Western model as such is rejected (See more discussion and references in the concluding section).

On the opposite end of the convergence spectrum, during the course of this century and especially since World War II, the market economies of the Western democracies have been undergoing a process of convergence of their own. The convergence has been in the direction of more planning and market regulation, a changed market structure, the creation and expansion of the size of the public sector, of the role of the welfare state, and of the provision of public services. In addition to expanded government intervention, the market economies have also gone through a "managerial revolution" that has increased the importance of the big corporations. The newly developed corporate sector increased the level of internal planning and protection from the market, while on the outside it managed to

raise, for the individual corporation and collectively, the degree of control over the market (See Galbraith, 1967a, 1967b; Chandler, 1985; Williamson, 1975, 1986). One of the presumed positive roles of the corporate sector is its responsibility for industrial policy -- making the proper technological choices and providing resources in a semi-protected environment for future technological and industrial development. Some economists advocate a more active government role in defining and guiding industrial policy, along the lines followed in Japan. Changes in both the role of the government and the corporate sector have contributed to the transformation of the classical market economy into a "mixed" economy.

Many of the elements of change in the market economies listed above can be classified by their nature as part of a trend of convergence toward the socialist economic system. Indeed, at least some of the changes, especially in the sphere of welfare and social justice, but possibly also in planning and regulation, came in response to the challenge posed by the socialist alternative. This is acknowledged by many Western writers, (see, for example, Brzezinski, 1989, p.9; Aron, 1968), but became a very popular theme among Soviet scholars, as part of their changed view of the nature of modern capitalism and as a basis and justification for the Soviet system to adopt some Western arrangements.⁴

Indeed, during the last decades the West seems to have been moving too far along the convergence road, in both the expansion of the public sector and in regulating the economy, thereby encountering many of the problems of inefficiency and negative incentives which have been experienced for so long in the socialist countries. Confronted by the advent of an economic

⁴ See the discussion of Sakharov in Kerr, 1983, pp. 15-16; Shmelov, 1986; Shkredov, 1988; Medvedev, 1988a; Shaknazarov, 1989; Afanasyev, 1989; Simonyan, 1988; Moiseyev, 1988; Shishkov, 1989; and others.

crisis in the West which was partially attributed to the above developments, a revisionist trend developed which mainly questioned the merits of big government and extensive regulation as a means of achieving social and economic goals, and looked to privatization and deregulation for a solution. It is interesting to note that some criticism of big government and free social services is part of the Soviet reform debate. Under the reforms the roles designated for the central planning authorities and for the "core" of big public enterprises resemble the discussions taking place in the West. Ironically, because they are starting so late with economic reform, the socialist countries can now benefit from the experience of the market economies in their efforts to retreat from over-convergence.

While this study concentrates only on convergence trends in the economic reforms of the socialist countries, it is not done simply because of the area of specialization of the author, nor because we believe in one-sided convergence, which is a contradictory term, but because the West had already accomplished a good deal of the potential or reasonable convergence on its part, both in goals and in means. Being more open-minded and pragmatic in nature, more flexible, more democratic and less ideological, the market democracies moved early to address the economic and social problems created by the free market and free enterprise, the problems that communism supposedly was designed to avoid from the start. The socialist countries, on the other hand, with their highly rigid, ideologically driven systems, until recently entertained very little change in the direction of convergence. Their turn has finally arrived. Convergence, therefore, may still be mutual, though not synchronized in time. This view is presented also by Soviet writers. Sirotkin argues that: "Returning to the historical lessons of NEP, it should be stressed that in the 1920s both systems - socialism and capitalism - seem to have set

out toward the same goal from different sides . . . both systems began to create what was later called a "Mixed Economy." But the West continued along this path, while in our country it was violently cut off . . ." (1989, p. 12). Likewise, Shkredov writes: "Whereas ownership relations which prevailed in the basic areas of the bourgeois economy experienced profound changes, the forms of state and cooperative ownership which had developed in the USSR in the 1930s remained, until recently, essentially unchanged" (1988, p. 17).

Finally, both between the two major systems and around them there is an accelerating trend of miniaturization of the world in terms of travel and communication time, a rapid spread and mutual penetration of information, and increased economic and cultural interdependence. All apply additional pressure toward and potential for convergence. (See more on this below)

This paper clearly belongs to the current, second wave of convergence literature. In essence, it tries to revive and vindicate some of the older theories, albeit with reservations and modifications. Not entirely unlike Gorbachev, we go so far as to claim that the theories of the early 60's were basically right, even if somewhat naive, and that the big historical mistake was, so to speak, of history itself or rather of those who determined the historical path at the time in the Soviet Union. That economic growth could not have proceeded along the old model, and that despite some technological achievements, mostly in the military sphere, sustained technological advance needed both a different economic mechanism and personal and political liberties. The correct time to have started the socialist convergence onto the mixed, Western system was no later than the 1960s, given Stalin, if not right from the start as a natural development out of NEP, as so many Soviet scholars now claim. Shying away from this was Brezhnev's missed

opportunity and grave mistake. But who can argue with history? All one can do is try to explain it. The explanations belong to the anti-convergence school, and to some of the arguments that they advanced at the time.

The major purpose of this paper is to establish the general parameters of socialist economic convergence for use as a guiding framework within which to analyze in this as in consecutive papers a number of key areas of ongoing or proposed economic changes in the Soviet Union and in other socialist countries. It is a central proposition of this study that it is the Soviet Union and the other socialist countries which are borrowing economic and political elements from the West, in much the same manner that technology has been borrowed all along. It is proposed that the attempted shift to the basically Western "intensive" model of growth may very likely also require the borrowing and diffusion of other elements of the Western system. Being "followers" in the process of modern economic growth, the socialist countries paved a separate way for themselves from the beginning. They are realizing that they have reached a dead end and that a major shift is both necessary and long overdue. The change is in large degree an attempt to merge onto the main road already travelled over a long period of time by the leading Western economies.

The discussion of the nature of the main changes in this and subsequent papers is directed from the perspective of convergence, and the analysis is carried out in the context of Western theories and discussions of comparable topics. Special attention is devoted to the differences in the nature and form of the changes due to the diametrically opposite direction of such changes: the transition from a centrally planned command economy toward a more liberalized market economy. There is very little knowledge and even less actual experience on the nature of such a transformation.

In the remainder of the paper we first redevelop and elaborate a working definition of convergence (Section II), applicable to changes in socialist societies based mostly on existing literature. In Section III an interpretation is offered of past developments in the Soviet Union in relation to convergence, the nature of pressures for change are analyzed, and an outline discussion of a number of main areas of socialist reforms within the framework of the convergence model is presented. In the concluding section we speculate on future trends and present a short summary of the corresponding views of Soviet scholars

II. Redeveloping a working definition of Convergence.

a. Introductory Comments:

Convergence at different levels: Convergence can be studied and examined with respect to different attributes of a society and its economy. I find it useful to classify these attributes into four categories, or levels, which are not necessarily mutually exclusive: The first category includes the basic descriptive features of the society, such as demographic structure, main units and patterns of production, professional groups and their key roles (such as the emergence of a managerial class, or of a technological elite), the industrial structure, the forms of urbanization, the structure of consumption and the like. Most of these features are connected with the process of modernization and industrialization in general, and do not tend to differ significantly even across economic systems, including those of the East and of the West ⁵

⁵ Gregory and Stuart, 1985; Kerr, 1983; Wolfe, 1968. Shishkov, 1989, excludes altogether many such features of similarity from his definition of convergence.

This level of convergence may be termed technical convergence.

The second category of system attributes include the main economic and related social goals of the system, their ideological principles, and the major tools and mechanisms used in order to advance these goals. Among these goals are those of modernization, social justice and economic equality and security. Among the major means of pursuing these goals are: the growth strategy--extensive, input intensive growth vs. intensive growth driven by technological change; the economic mechanism--a command economy and central planning vs. markets and competition; and the realm of property ownership, property rights, and modes of employment - exploitation - and economic participation - or alienation. This second category is the most relevant for the study of economic convergence. To some extent ~~the~~ economic and social "system" as defined here also determines many features belonging to the first category.

The third category of a system's attributes consists of the political and social "superstructure," the political regime, the distribution of political and social power, the social organization and the level of activity of economic and social "classes" and interest groups, the levels of personal, social and political liberties, the freedom of choice and of expression, the degree of social and political participation and the development of a civil society. While the main interest of this study is economic convergence, the interaction between the political system and the levels of political, social and personal freedoms on the one side, and the economic system on the other, is an integral part of the discussion.

At the fourth and top level are attributes of the system's international behavior and the degree to which different levels of convergence influence the nature of that behavior. Do systems

that are becoming more similar to each other also tend to establish better relations? Will the **Soviet Union or the other** socialist countries improve relations with the West when their economic and political systems gravitate toward Western patterns? International economic relations, trade, foreign investment, aid, and cooperation are of course part of the economic system. In addition both the economic system and organization, and the economic position of a country are strongly affected by the burden of defense expenditures and the intensity of military and political competition (costs of empire) and the arms race. In the Soviet case the "new thinking" in the sphere of international relations and the arms race seems to come as an integral part, in many respects a pre-condition for other changes. While we shall try to avoid a direct discussion of the relationship between the affinity of systems and international relations, some aspects of that question in the specific setting of socialist convergence will have to be considered.

Somewhat related to the distinctions between different levels or categories of convergence described above is the issue of the levels of aggregation and generalization applicable to the convergence hypothesis. On the one hand similarities between systems with respect to a specific organizational form, such as the typical unit of industrial production, or a consumption element, such as the spread of televisions, or an urbanization pattern, say very little about the major issues of convergence. These, and many other similar attributes can emerge from very diverse economic and social systems. On the other hand, the more one disaggregates a phenomenon, the more one examines smaller details and aspects of a seemingly similar but a more general phenomenon across systems, the more differences and divergencies are identified. What then is the 'correct' or relevant level of aggregation for the discussion of convergence? As a general

rule, historians will tend to reject the convergence propositions advanced by social scientists, arguing that sweeping generalizations disguise too many diverging phenomena that make the claim of convergence nearly meaningless (See Wolfe, 1968, as compared to Kerr, 1983; Galbraith, 1967a; and Tinbergen, 1961).

A case in point is whether or not to include the pattern of property ownership in a society as an important factor of divergence, as most students do, or to attempt a definition of convergence that will encompass different property ownership regimes under one umbrella as Kerr attempts to do (1983 pp. 5-6). Another way to put this issue is to ask what level of pluralism is tolerated under one's definition of convergence. The increased level of pluralistic systemic variants among countries is used by Millar (1972) to prove divergence, while Kerr has always tolerated quite a wide range of pluralism under convergence. We support and use Kerr's approach, first on the basis of our concentration on the principal aspects of a system as the subject of convergence. Second, the multiplication of variants that deviate in certain aspects away from a given system tend to fill in the 'empty space' between systems thus emphasizing both their similarities and convergability. More important, however, is the point that pluralism is an intrinsic element of the present Western system that the East is now converging on. The readiness to tolerate and experiment with a variety of solutions and institutional arrangements, while retaining essentially the same system is the nature of modern convergence rather than its antithesis.⁶

⁶ It is indicative that the term "pluralism" is used routinely in the current Soviet literature as a surrogate for "copying from the West" or indeed "convergence". It is being used both as a general term and in technical terminology, i.e., "plurality in property relations" means the toleration of various kinds of cooperative, leasing and even private property ownership.

While we make an issue of accepting a rather broad concept of pluralism within the convergence hypothesis, and we do not insist on similarities in relatively less important aspects, such as the degree of usage of private cars, we do consider two systems with very different regimes of property rights to be different.⁷

b. The Model:⁸

Society is viewed as a collective personality or entity that aspires to improve its position relative to a set of goals and given priorities that it sets for itself. In the pursuit of advancement, a society seeks to utilize the best available means, that is, to become more efficient in its use of resources and efforts. In addition to the obvious resource constraints, in a very general sense, every society faces a series of constraints stemming from its historical and cultural legacies, the conservatism of the present organizational arrangements, prevailing ideology, the political structure, etc. This pseudo-optimization process is conducted in each society in accordance with a collective decision-making formula, embodied in the political regime and social arrangements. Different decision-making formulas assign or involve different weights to various groups in the society, thereby affecting both the form and shape of the objective function and the means used to advance it. Finally, since present day societies operate more than ever

⁷ Here we agree with Shishkov that property relations in the real sense (that is not pro forma) constitute one of the principles of a system, (pp. 13-16).

⁸ The following reformulation of the theory of convergence as well as the above introductory notes draw freely on works by Tinbergen (1959, 1961, 1970); Kerr (1960, 1983); Pryor, (1973); Ellman, (1980); Shishkov, (1989); Zebot, (1964); and others. It draws mostly on Kerr, 1983, which is an excellent survey and thorough exposition of most issues.

before in a densely interconnected and interdependent world, their goals, their ways and means, and their decision-making processes may be influenced by other societies, just as they may influence other societies themselves. Various forms of international competition and interaction play an important role in the optimization process.

It is important to emphasize at the outset that the above type of optimization process is not meant to generate a deterministic, or even a predictable path of development for any individual society, let alone for all societies. Likewise, it does not in itself imply a uniform or convergent development of all or even some societies. With so many variables to be determined by or imposed upon each society, a pluralistic pattern, if not a diverging one, may be the most likely to happen. Different societies may in principle aspire to different goals, or at least to different assortments or proportions of similar sets of goals; they can develop different or distinct means of achieving these goals; and they may face different constraints along the way, developing different political decision-making regimes. In addition, unlike a rational individual optimizer, the "collective" decision making process for an entire society depends on the division of decision making power among its members and on the methods of 'voting' and implementation. Different political regimes, even within the same society at different times, may result in different sets of goals, means, and even constraints. The obvious, relevant examples are the differences in all the above, resulting from a totalitarian regime as compared with a democratic one.

One well studied dimension, along which goals, means, constraints and political and social regimes may vary in a somewhat systematic way is the modernization process of the last two centuries. This is where the two concepts of convergence,

alluded to above, meet. Standardizing for the 'level of development' constitutes one attempt to limit the potential variance of goals, means, constraints and regimes, in order to allow for some converging tendencies. Likewise, in searching for a theory of convergence within the above described pseudo-optimization process, one has to look for an existing mechanism that may direct this process in a more uniform way across societies. We examine this as we proceed to describe the major elements of the optimization process.

Social Goals: A common list of collective goals observed in most modern and modernizing societies includes, first, the improvement of the material well-being and economic welfare of the population, the goal of economic growth. Second comes the achieving of a degree of social justice, economic equality and economic security. Some societies emphasize more equality of opportunity and equality *ex-ante*; others put more weight on equality of the end result. Third, beyond economics is the cluster comprised of liberties, the protection of human rights and the advancement of personal and group freedoms of action, expression, of social and political equality and participation. Finally is the competitive drive with other societies which can take on a range of forms from benign to aggressive.

On the supply side of these goals, scarcity of resources and human nature and motivation position some of the goals in competition with each other. Human nature, however, also creates a degree of compatibility among some others. There seems to be a general agreement, in the East and West alike, that at least beyond the minimum threshold of economic equality and security, when starting from a neutral point of equilibrium, economic growth and income equality are competing goals, as are economic growth and economic security. The elimination of or restrictions on rewards in accordance with contribution, especially high rewards for hard work, effort, entrepreneurship and risk-taking,

has negative effects on efficiency, and hence on growth. Likewise, the granting of economic security, in the form of a guaranteed job, income and social services, beyond a certain minimum level, reduces the work effort and risk-taking incentives. Equality of economic opportunity, on the other hand, is complementary to growth.

While there seems to be a degree of substitution between certain types of freedom and economic equality, there seems to be less agreement on the direction of the interaction between freedom and efficiency. This issue has long been settled with respect to serfdom and slavery, and clearly there are some restrictions on freedom of action which are necessary for efficiency's sake. However, the existence during the present century of dynamically growing economies under totalitarian regimes with very limited freedoms, for extended periods, threw back into doubt the validity of the complementary proposition. We come back to this later.

The degrees of substitution or complementarity need not be uniform across the possible ranges of the goals, as we have already seen. In particular the levels can vary along the vector of economic growth, where freedom may be less essential at early levels but become much more important later on.

On the demand side there seems to be a fully interchangeable, multi-dimensional construct--all the listed goals are substitutable within a reasonably defined middle range. Within certain minimum and maximum limits, a higher level of one goal can compensate for a lower level of another. Some consider the demand for freedom highly income, or growth elastic, while the demand for equality has low growth elasticity. In other words, affluent societies tend to tolerate more inequality than poor ones. Finally, the interaction of the external goal with the others is discussed below.

Means and Constraints: The means employed to advance the goals are comprised of the economic, social and political systems, their institutions, mechanisms of operation, rules of the game and new technologies as defined in both the narrow and the more general sense of institutional innovations; in short, the earthly manifestations of the more abstract aspirations. In many cases the basic principles or main characteristics of the systems, which are classified here as means, are indeed perceived as elements of the goals themselves. A case in point are ideologies, which usually go much beyond a mere articulation of abstract goals, and specify the major instruments through which the goals should be pursued, and even the necessary conditions for their attainment. In this way the market system and free enterprise become a goal in themselves, perceived in the eyes of their proponents as almost the exclusive way to achieve economic growth, freedom of action and choice, and equal opportunity (Kerr, 1983, p. 84). Likewise, socialism prescribes almost exclusive public ownership of the means of production, the avoidance of employer-employee relations (exploitation), and central planning as the best ways to achieve not only economic growth and efficiency, but also social justice and equality. In many cases the means become no less sacred than the goals themselves, and may with time turn into constraints preventing the achievement of those goals.

New, better means to advance society's goals can be developed both internally and externally. The more innovative a society, the more flexible it is quickly to adopt, adapt and diffuse better means with the least disruption, the more efficient it becomes in advancing its goals. Political, social and economic flexibility themselves become very important attributes during periods of rapid technological and other changes.

The flip side of flexibility is conservatism, a major constraint in addition to the internal and external resource

constraints. Conservatism is manifested as the inability or difficulty of societies to give up old means for new and better ones. The old or existing institutional arrangements, their supporting ideologies, and the corresponding economic, social and political power structures which they entail may develop into one major set of constraints and obstacles. In a way, the choices a society faces is similar to that of selecting new technologies, of whether to develop through targeted tools in order to address exclusively well defined missions, or to settle for a somewhat less targeted set of means that will be flexible enough to accommodate a wider range of potential missions, unexpected developments and longer time horizons. The cementing of any given institutional arrangement, with its power structure in a stiff ideological straight-jacket, may be more efficient for a given mission and for a short period of time, but it will become an obstacle when confronted with the need to change. Such rigid behavior sometimes occurs at early stages in the modernization process (Gerschenkron, 1962, pp. 191-193; Kerr, 1983, p.24; Ofer, 1987c). The socialist totalitarian regimes have provided inspiration and evidence for these propositions. Conservatism, however, is not totally negative and some constraints are created by historical traditions and cultural preferences which in a sense belong within the list of goals. Barriers to change often take the form of strong interest groups who have secured dominant power and maximum welfare for themselves under the existing arrangements, but whose interests contradict the collective welfare (Olson, 1982). The recent trend toward the so called "end (or decline) of ideology" could be read as society's response to the increasing pace of change, an attempt to mitigate the blocking power of dogmas and of old regimes (Kerr, 1983, pp. 16-17; Lipset, 1968, 1977).

The Decision Making Process: The list of goals given above is assumed to originate from individual members of society, formed

into collective goals through a system of economic and political organizations, and of decision making rules that arrive at a coherent course for both private and collective agendas. If all collective decisions were made in a more or less democratic way, then differences in the assortments of goals across societies would depend, to a major degree, on the objective functions of individuals. Is it unreasonable to assume under such conditions that the resulting collective objective functions would not vary in an extreme fashion between the societies of the modern era? At least if the level of modernization is kept constant? We tend to give an affirmative answer to this question, and accept the range of somewhat different objective functions of today's democratic nations as belonging to a uniform whole (Kerr, 1983, pp. 4-7, 79-80; Kuznets, 1966, ch.1; also p.508).

Objective functions of societies can, however, become very different from each other if the political regime diverges significantly from a democratic system. In addition to reflecting mostly the goals of the leadership itself, under such regimes political and other freedoms are denied to most of society by definition. The degree of divergence between the collective will of the society and that of the regime, or leadership, depends upon the level of oppression and coercion that the leadership is able and willing to impose. It is claimed and generally accepted that even totalitarian regimes depend to some extent on popular support, from which follows that such divergences in goals--and in major means--are limited to some extent in both degree and duration. If indeed freedom in all aspects becomes more important to the people after some of their more basic material needs are met, and if at that stage even totalitarian rulers are forced to reduce the level of oppression, then a tendency is created, even before democracy is established, toward narrowing the gaps between the goals' functions of different countries not only with respect to freedoms but also with respect to the other goals (See Hough and

Fainsod, 1979, chs. 14-15).

International Interaction and Competition: While throughout most of recorded history countries and societies have interacted with each other in a variety of ways, the recent acceleration in the intensity, multi-dimensionality and interdependence of this interaction has interjected a completely new quality into international relations. In addition to expanded economic relations, there are two other interrelated aspects to be discussed here: the transfer of information and competition. The rapid and reliable transfer of information makes the process of choosing basic goals a global process, in the sense that people and societies are permanently exposed to a much wider range of options, and to the choices made by others and their implications. They can constantly re-evaluate their own assortment of goals, and indeed they are under constant pressure from interest groups within the society to do so (Kerr, 1983, pp. 78-79). The same is true with respect to the main technical, organizational, social and political means used to advance the provision of the various goals.

But in addition to the interest and ability to learn from others, there is also a strong element of competition between societies which is both a goal in itself and a means of achieving other goals. This competition can take a number of forms. At one end of the spectrum is what may be called "positive" competition, or competition for status or influence "by example." Here, each society follows its own goals to the best of its ability, with the aim of providing its own people with a better total welfare, according to its definition of the term, with the hope that its achievements, when observed and appreciated by others, will enhance its status and influence among other nations. There is also the expectation that a society's solutions to problems will become a source of inspiration and emulation by others. Even this kind of basically

benevolent competition intensifies the probe by each society into the goals and the means used by others, placing them under consideration for possible adaptation and adoption, and stimulates the flow of information discussed above. This kind of competition, just like the internal urge of societies to improve, does not imply a convergence of goals, except through the influence of the "demonstration effect" of others, or through internal pressure created by segments of the population campaigning for the adoption of some of the goals of other societies (Kerr, 1983, pp. 78-79). Both driving forces, however, call for the adoption of the more efficient means which are employed by other societies in order to achieve the given vector of goals. The international transfer of means is neither simple nor costless, but if one accepts the notions of both internal and external drives for improvement, then the interest to transfer better instruments across societies must exist. These are strong converging forces, even when the objective function is not identical.

At the other end of the range is power--military competition among nations aimed partly at getting ahead in economic, technological and military might, but also at influencing, or even dominating, other countries. Such competition exists for the major powers on the global stage, and for lesser ones within regional confines.

One major difference between the two variants of competition portrayed here, is that the key for success in the second depends mostly on success in the economic-technological field targeted toward the enhancement of military potential, and much less in the pursuit of the other social goals listed above. For this reason, countries which participate in the competition for power are forced to tilt their efforts toward economic and military goals to a greater degree than they might opt otherwise. This is true, however, even with respect to countries like Switzerland which choose to avoid all kinds of military

competition. The dominance of growth and military goals is only moderately restricted by the fact that the internal cohesion of societies, which depends on their success in fulfilling other goals, must also be taken into account as contributing to the projection of power. In addition, while the strategy of economic growth can be directed, up to a point, toward providing for the building of military power, it must come at the expense of both the levels of welfare and consumption of the population, and of the overall long-term growth of the economy. If the military goal is pushed too far, the resulting unsatisfied economic and social burdens are bound eventually to undermine both the military capability and the entire power projection of the country, thus lessening its international status.

Between the two extreme forms of competition there are competitive variants with a lower emphasis on the military aspects of competition and a higher emphasis on economic and technological competition, combined with a mix of attributes of the two extreme variants. Competition at or near the military end of the range dictates, therefore, not only a constant and intensive selection of the best means for the pursuit of the society's goals, including borrowing them from other countries, but also the tilting of the goals themselves toward a more common ground. On the other hand, countries that insist on following a more balanced set of goals, such as focusing more on equality, on economic security, and on limiting rewards for risky productive endeavors, will trail in the mainline competition. Some countries may make the choice of avoiding the competition all together, like Albania or Burma. This is much less of an option for a more major power.⁹

⁹ Though with imposed limitations on military buildup (as in the case of Japan) or with a clever self-positioning between the big powers (China), even major powers can limit their military needs.

The same is true with respect to a sub-optimal choice of means to achieve the goals. A country that chooses, or is forced by reasons to be discussed below, to avoid using the appropriate means will experience a retreat, either economically or militarily or both. Again, it may choose that option, but will have to face the consequences. The closer the country is to the military end of the competitive range, the higher its global status, and the wider the gap between its ambitions and capabilities, the more serious the consequences, unless there is a converging change.

The balance of the theoretical arguments presented so far seems to us to lean toward the side of convergence rather than divergence. Ample room is left within the converging space for a large degree of pluralism based on relatively small differences in goal functions, the degree of democratization and decision making **within a basically democratic setup**, the level of uncertainty at every point in time as to the best means to use to address certain problems, the constant innovation and development of new technological and social instruments, the existence of countries with different levels of economic development and of social and political modernization, and the variance of constraints. Indeed, pluralism as described here is one of the most important properties of the convergence hypothesis rather than its antithesis (Millar, 1972): it is not only an aspect of convergence, but also a basic element, like democracy, of the type of system that most countries in the world seem to be converging onto. The pluralistic characteristic of the definition of convergence, as advocated by Kerr is indeed one of its most important elements.

Related to pluralism is the feature of a mixed economic system that both systems had been or are converging towards, a cornerstone of Tinberger's theory. True, the coexistence of private enterprise and free markets with public provision of

services and bureaucratic regulation is not easy and causes friction and even some instability (Pryor, 1973). Nevertheless, the conflicting nature of some of the goals of society, and the differing level of efficiency in the pursuit of some of the goals, through private or public means, brings the mixed system nearer to the aspired optimum.

While there is a drive for optimization, it is not toward a unique, predetermined specific solution a la Tinbergen. The tendency is non-deterministic, uncertain, liberally pluralistic-basically following Kerr. External competition plays an important role, even more important than indicated by Kerr, and in contrast to Tinbergen. Collective goals are believed to be similar (unlike Pryor) unless they are defined by a non-democratic regime. Oppressive regimes cannot last forever. They are eventually forced to democratize in order to sustain even their own goals. Here I revert to propositions made by intellectuals back in the 1950's and 1960's on the basic contradictions, in the longer run and at advanced levels of development, between economic growth and the suppression of personal, social, and political freedoms (Kerr, 1983, pp. 1-4, and 16-17, and his quote from Galbraith on the same point. See also the discussion by Hough, 1979, pp. 561-570). Contrary to the apologetic tendencies of the past of gradually giving up the claim of convergence in all areas of social change, and retreating to economic convergence in isolation, as Ellman demanded (1980, 1984) and as the Tinbergen school has conceded, (Coats and Thompstone, 1981), convergence is claimed also for the social and political spheres. Do we have to, then, invoke Gorbachev in support of the proposition that there is no economic reform without political and social reform (Gorbachev, 1987a, 1987b; see also Yakovlev, 1989a)?

Finally, it also follows from the discussion that the process of convergence should be perceived as a long term tendency, and not necessarily as a monotonous, unwavering

movement forward. It may have periods of retreat, of detours, and of travel along dead-end roads.

III. Divergence and Convergence of the Soviet system.

In light of the above framework for convergence we turn now to an examination of the nature of the divergence of the Soviet system to date, and to an analysis of possible converging tendencies in the context of the present and prospective reforms.

a. Interpreting Soviet Past Developments in Light of the Convergence Model:

The main argument here includes a number of points: First, that the system's goals were clearly different from those of Western countries, and so were the main tools for achieving the goals. Second, that the differences in the goals were not **primarily** those listed in the convergence-related literature, of more emphasis on social justice and equality, and more job security at the expense of efficiency (Kerr, ch.3, pp.81-85, 89-98; Hewett, 1988, ch.2). Instead, the goals of the Soviet socialist system over-emphasized economic growth and modernization, directed mostly toward heavy industry and military buildup, at the expense of growth in consumption and popular welfare. An extreme variant of the international competitive goal had been followed according to which socialism would not only 'catch up and surpass' capitalism in terms of economic growth, but also expand and export the socialist system to other parts of the world through means developed by the Soviet Union to become a world power (Berliner, 1966, Ofer, 1987, pp.1798-1801). The totalitarian regime was to serve as both a goal in itself and as a major means by which to achieve the above. Third, that the socialist system, including its

political and economic elements was geared toward the above mentioned goals while the more intrinsically socialist goals, those dealing with social justice, equality etc.. were allotted a subordinate role: they were adhered to or followed in so far as they didn't conflict with the more important goals of rapid one sided economic-military growth.

To be sure, the socialist model was introduced among others on the basis of its professed superiority in providing a higher level of social justice, and its social virtues had been constantly advocated and utilized both internally and abroad. They served the very important function of legitimizing the regime, and of helping to create a rigid doctrinal framework as a vehicle and a tool for social and national cohesion. However, social justice was never proclaimed as the main or only goal: it had been constantly claimed by leaders and ideologues alike that the socialist system is superior in terms of both efficiency and growth on the one side, and of the social criteria on the other, and that the prescribed mechanism and tools provide simultaneous superiority of both. The most important point here is that it was never, to my knowledge, stated or acknowledged that the socialist system was designed to provide, or had been providing more social justice at the expense of growth or efficiency, as compared with the 'capitalist' system. Such a tradeoff was never recognized as acceptable. The past record came under criticism only recently for losing efficiency as a result of levelling, i.e., too much equality. But as in the past, blue prints for the future socialist model demand superiority of efficiency first, but together with social justice (See, for example, Abalkin, 1988c, p. 83). We discuss the subordination issue in greater detail below.

The emphasis on and the bias toward power augmentation and on international competition can and has been justified, occasionally, on the basis of the need for the Soviet Union to protect itself, and its system (the revolution) against external

threats. This argument was frequently used to justify resource allocation away from consumption. This has been an acknowledged tradeoff, as well as the one between higher levels of present consumption as the expense of building a solid economic base through investments, and much higher levels of consumption at some point in the future. It does not, however, alter the basic argument of the order of priorities between growth and justice.

Finally we state that what made it possible for the Soviet Union to diverge so significantly from the mainstream of the liberal market economies was not a different objective function voted for by society. Rather, an imposed totalitarian decision-making process, employing a variety of coercive tools, denied the population a whole range of liberties, including the ability to express and put into action its own collective set of goals and major means.

In summary what we have is not a collective that democratically chose a set of goals favoring equality over efficiency and security, or even a dictatorship that deliberately made such a choice for the benefit of the society it controlled. Instead, we see a dictatorship that opted for a monopoly of political control, a dictatorship that chose a policy of maximum growth of the economic base and a postponement in the increase in the welfare of the population, in order to achieve world class military and political power, and to participate in the big power competition for world influence.

The consequences of the subordination of the goals of social justice to those of growth and modernization were obvious: the former considerations were advanced only when they were thought to be consistent with the latter, but were largely neglected or attended to a minimum level when perceived to harm them. The nationalization of most means of production eliminated most unearned income and contributed to both equality and justice by abolishing exploitation and alienation.

Nationalization came also, (in the first place?) in order to secure full control by the regime over economic development, and to eliminate counterrevolutionary political threats. It was never admitted that this entailed any kind of costs in terms of forgone efficiency. On the contrary, it was always heralded, together with the mechanism of central planning, as being superior to the anarchic market mechanism.

That considerations of income equality were dominated by production considerations can be demonstrated by a number of cases: Wage differentials were kept at very extreme levels up to the early 1960's as long as shortages of skilled workers dictated such differentials. They were only reduced in the wake of a substantial increase in the supply of professional and skilled workers, the outcome of heavy investment in education (mostly technically and scientifically targeted) since the early 1930's. Large investment in education and in the expansion of human capital was perceived from the beginning to be essential for rapid economic growth. Education was encouraged and open at an early stage to everyone (notably to women and young people of working class origin), thereby preventing the creation of quasi rents and other barriers to education and allowing a relatively rapid decline in wage differentials, probably faster than in other countries going through similar processes (Bergson, 1984).

The range of policies toward gender equality is another case in point: On the one side women were encouraged to join the labor force, to acquire an education and to have careers, among others in many 'male' professions, on an equal footing with men. All these are fully consistent with the production goals. They were not, however, given adequate support in terms of housing, household services, needed consumer goods, or even the provision of nursery schools for young children that would allow them to join the labor force on comparable terms with men. The needed resources could not have been spared given the skewed production goals. The resulted in wage differentials between men and women

that were no different from those found in market economies, that women were allotted lower level jobs and continued to suffer under an even heavier 'double burden' than in other countries (Ofer and Vinokur, 1981; Lapidus, 1978).

The special privileges and amenities enjoyed all along by the elite are among the ugliest phenomena of a society that professes both equality and restraining consumption for the sake of a better future. Whether these are considered necessary to secure the stability and functioning of the regime, or are simply usurped advantages self granted by the powerful, makes little difference.

While education and health services had been provided free of charge on a universal basis all along, and housing and public transportation, and lately basic foods, are heavily subsidized, the welfare and income support programs for the underprivileged had been poorly provided for, thereby leaving millions of people below an absolutely determined poverty line (Ofer and Vinokur, 1987b; Trehub, 1989). One reason for this is the strong work incentive orientation of most of the income support programs, and the neglect of needs that arise from family size and structure, and from old age. Until recently one of the major income support tools was the manipulation of the minimum wage. There has been relatively little support for children or single mothers, and the level of pensions, low to start with, was allowed to deteriorate over time relative to the wage level (Madison, 1988; Ofer and Vinokur, *ibid.*).

In a similar manner to equality, the treatment of job security and the virtual elimination of open unemployment is in the first place an outcome of the mode of central planning, together with taut planning, the permanent sellers market, and perennial shortages - all part of the Soviet system originally designed to push for ever higher output levels. In most cases enterprises found it advantageous, even necessary, to accumulate

and keep as large a labor reserve as possible to be able to fulfill production targets and compensate for regular disruption in raw material supplies or lack of spare parts. True, the doctrinal value attached to full employment has prevented layoffs motivated by considerations of efficiency, but overall the system of over-planning was considered primarily one that assured maximum growth of output and productivity.

While job security, price stability, and a given level of social services all were assured, many other elements of economic security, like the supply of consumer goods or housing, were subject to a high degree of uncertainty. Enterprise managers and other production officials, as well as ordinary citizens, found it necessary to engage constantly in unofficial, sometimes illegal activities, at various levels of risk-taking, either in order to fulfill production plans or to secure minimum consumption needs, and the future of their children.

To be sure, the ex-post outcome is that the Soviet system did develop a somewhat higher level of economic (or income) equality than most, though not all Western democracies, (Bergson, 1984; Ofer and Vinokur, 1987). It also assured a minimum security and livelihood to almost the entire population. At least part of this result must be credited to the social system. Yet another part of the outcome on equality results from the demographic response of the population, by way of reducing birth rates and creating a higher degree of uniformity in family size.

The system also created a degree of tradeoff between productivity on the one side and equality and job security on the other (Kerr, 1983, pp.95-96, Hewett, ch. 2). Indeed, the creation or even toleration of such a tradeoff plays a major role in the criticism of the the present Soviet leaders and economists against the old regime in continous blasts against 'levelling', and over security, which is at least partly

unjustified.¹⁰ The tradeoff between efficiency and income distribution results to some extent from wage and employment policies, but maybe more so from the system's lack of opportunities for entrepreneurship, creativity and risk taking in exchange for adequate rewards. This is a major issue discussed in connection with the present reforms to which we come back. The main point is that such tradeoffs were never intended or anticipated, as public ownership of the means of production and the elimination of exploitation were considered a superior answer to efficient growth as compared with the contradictions of capitalism.

The present criticism of the classical economic system in the Soviet Union is not restricted to the above mentioned tradeoffs. The low productivity and performance records are attributed to many other factors as well, including the development of a high degree of alienation of the people under the regime of public ownership, the degeneration and corruption of the bodies that run and control these properties, the inadequate attention paid to the economic needs of the people, in terms of real rewards for their efforts, the degeneration of the reward system away from reflecting productivity but not necessarily in the direction of more equality. Indeed, one of the major criticisms of the old system of "deformed socialism" is the deterioration of the standards of social justice, due to corruption, the usurpation of power and privileges by influential groups, etc... . The deterioration in the perceived level of social justice is considered one explanation for the decline in productivity, rather than the other way around, (Zaslavskaya, 1989; Shkredov, 1988. See detailed discussion in

¹⁰ See, for example, Gorbachev, 1987, pp. 80-84. See also Zaslavskaya, 1989; Aganbegyan, 1988, ch. 9; Yakovlev, 1989a; 1989b, pp. 339-341. Yakovlev criticizes Stalin for installing 'crude egalitarianism' or egalitarian socialism,' which is clearly unjustified. 1989, pp.9-12; See also Sirotkin, 1989, and Tsipco, 1988.

Lewin, 1989 and Mandel, 1989).

The major disappointment with the old system is therefore that it did not produce the level of economic growth and efficiency anticipated of it. This is the major force responsible for the present crisis and for the search for alternatives and reforms. When the author of this paper intervened at a recent conference to claim that socialism is first of all about social justice, Oleg Bogomolov immediately responded: "Socialism is first of all about economic growth". Discussing possible alternative property rights allocation under socialism Abalkin writes: " The final essential question related to the progressive and promising nature of development of one form of ownership or another is to which among them should we give preference and pay greater attention? Briefly, without any emotions or any kind of ideologizing, the more progressive the form of ownership and of economic organization which ensures the highest possible production efficiency is, the highest possible labor productivity and the highest possible quality of output is achieved. Socialism does not eliminate such universal economic criteria.... Therefore, if one form of ownership or another can solve such problems better and more efficiently, ...it means that it is the most progressive."(Abalkin, 1988b, p. 60).

Of the two major tradeoffs in the goal function, there was a deliberate choice in favor of heavy industry and military investment, at the expense of consumption, and by derivation also at the expense of liberties. The tradeoff between efficiency and equality and economic security developed, ex-post unintentionally. The decline in efficiency and growth, created only partially by the latter, but to a large extent also by the former, brought the country to a halt in terms of its own traditional goals, which is the main cause for the urgent need for reforms.

b. Pressures for change and the transition:

The main pressure for change has been coming from above and in the first place is a result of the failure of the system to perform in accordance with the traditional goals, that is, economic growth and military potential. Up to a certain point, maybe a few years into the Brezhnev era, acceptable rates of economic growth and military buildup, could both have been accommodated, albeit at the expense of consumption levels. As rates of economic growth declined sharply, the question of a major reform came up, indeed was even acted upon, but eventually was put aside by Brezhnev in favor of what turned out to be a continuation of the military program, but this time at the expense of economic growth. One can understand the hesitancy to initiate a reform of the kind that was needed and against the odds that it must have faced when it was not yet absolutely necessary. Admittedly, such a decision was based on short-sighted and short-run considerations. But Brezhnev proceeded on the basis of borrowed time, and by mortgaging the resources of the future, thereby making any future reform, now absolutely necessary, that much more difficult. But unless you are completely pushed with your back against the wall, and unless you happen to be a particular kind of leader, with great courage and vision, you will tend to stick to existing dogma and institutions, and try to squeeze out of them the extra energy needed. With very little growth, rent seeking, corruption and disillusionment increased beyond previous levels, ideology and doctrine were used to an even larger degree as a means to protect vested interests. The negative consequences of the postponement of the reforms for twenty years, or even longer, is therefore an affirmation of the basic convergence hypothesis rather than its rejection. As we have seen in the introduction, it contributed to the latter.

The inability to pursue traditional goals with the help of the old means may call for a change only in the means that are used, such as a greater use of market mechanisms, more decentralized modes of planning etc... . However, even if an isolated change of such means could have been possible, it is highly doubtful whether the depth of the economic crisis, and the extreme disproportions already created between GNP and the size of the military budget and projected needs would have allowed resumed growth. Most everyone's evaluation, including that of the Soviet leadership, is that this would have been impossible. But even with the question of the excessive military burden put aside, economic growth cannot possibly be resumed in the long run with the help of the old economic model (See Ofer, 1990). To the well-established list of necessary conditions for a shift from the exhausted extensive growth model to an intensive one, one should now add the ever increasing role of human capital in the process of economic growth, and of the resurrected belief in freedom as necessary conditions for the creative forces of this human capital to manifest themselves. Free access to information, its free movement and exchange, internally and internationally, are considered key to future technological change and economic growth, not only as a general principle, but in close connection to the present and future wave of growth carried by the technological informatics revolution. The connection to personal and social liberties is direct, a fact that is fully recognized, at least on the declarative level also by the reform leadership itself (Gorbachev, 1987; Yakovlev, 1989b).

Almost any scheme of changes in the economic mechanism that will shift decision making and initiative from the center to more independent units in society, and replace the administrative mechanism with economic levers and signals, is in direct contradiction to the old goal function. The new means, to

whatever distance they may go, demand a goal function that is more in tune with the one that would be chosen by the population, both in terms of economic considerations and the level of various liberties. Objective economic requirements and the need to come closer to the aspirations of the population, forced the leadership to contemplate not only a reform in the means, but also a rather major shift in their goal function. Hence the greater emphasis on economic goals, and an heroic attempt through "new thinking" in the sphere of international relations to reduce future military requirements, to change the nature of international competition into a more benign and peaceful variant, and thus to allow the needed shift of resource allocation toward a higher proportion of consumption in GNP.

The readiness to shift the society's goal function from above may reflect an independent re-evaluation by the leadership of the increased importance of economic achievements relative to military capability in a changing world, and may also reflect a more benevolent approach to the well-being of the population. But it certainly also came as a response to increased pressures imposed upon the leadership and the system by the population from below. With the lifting of the most oppressive Stalinist means, with the rise of consumption levels beyond the bare minimum, with expanded urbanization and the educational level of the population, and with the increasing penetration of the realities of life in the outside world, grew the willingness and capability of the population to resist and express disagreement with the order of priorities of the leadership. The most serious expression of resistance was the decline in efforts and productivity and other forms of economic and social passivity and cynicism, thereby further aggravating the economic situation. There was an expanded turning to the second economy. And there was mounting pressure to allow more freedom of

expression and of political participation. ¹¹

Even with the best possible new economic mechanism and systemic innovations, the period of transition entails considerable economic sacrifices and social dislocations, that can hardly be accomplished without a significant degree of public support, or what students term a renewed 'social contract' between the regime and the people (Houselohner, 1987). Moreover, long term economic and social dynamism necessitates a dramatic increase in the levels of personal, social and political liberties, all of which point toward converging changes.

c. Observations on the Nature of Change and its Extent.

The changes that have taken place already in the spheres of personal liberties, of freedom of social association and activity, and of political democratization are immense, relative to the very recent past and to the classical communist model and doctrine. While the remaining distance to be travelled to arrive at the Western model or practice is still much longer, the direction of travel is unmistakably clear. Very few observers were able to predict such a pace of change in these spheres beforehand, and most of them are quite surprised by the relative ease with which many of these changes are accepted. It seems that the society was essentially ready for such changes, yearning for them, and grabbed them when the opportunity presented itself.

In most aspects the doctrinal justification for change developed quite straight-forwardly. Since humanism, democracy, social participation, and even human rights had been part of the ideological jargon all along, 'all' that was needed was to

¹¹ An expanded elaboration of this theme is included in Lewin, 1989. It have to be stated though that this explanation for the change applies to 1965 almost as well as to 1985.

and essence of the 'invisible hand' behind the market as a regulating tool rather than an anarchical one. There are two major unacceptable consequences of the market mechanism, competition and the corresponding behavior of enterprises. The first is the danger of the development of unemployment (Abalkin, 1989, and others). Ways are examined on how to avoid it and this is the main reason for the attractiveness of the Swedish model. Secondly, there is resistance to the opportunity for people to receive high sums of unearned or even earned income, to which we come back below.

The second major converging economic change that has been initiated is in the structure of ownership and property rights, mostly of productive assets. This is the institutional change perceived by the Soviet reformers as necessary in order to raise the level of entrepreneurship, initiative, economic creativity, and risk taking by the people, and to provide the adequate reward for such initiatives. This will constitute a shift of the level of both entrepreneurship and of the corresponding rewards, and of the balance between them, from a socialist pattern toward those of a typical market economy. In such an economy the ownership and/or control over property rights generate the main reward for entrepreneurship (defined broadly as an economic activity involving initiative, creativity, effort, and risk-taking), while the wage structure performs as the main tool for worker motivation and effort. The corporate managerial group is remunerated with both very generous salaries and property incomes.

In the Soviet Union both functions are covered mostly by the wage system, which is criticized for not providing enough motivation even for workers and employees, let alone managers and entrepreneurs. Property ownership and property incomes are left mostly out of this game. Being publicly owned and controlled by state officials, it is considered by most to be

nobody's and is treated accordingly by both managers and workers. Many in control exploit their positions to derive rents and other advantages.¹⁴ So while within the existing system the rewards offered may not measure up for the risks and efforts that are expected (Berliner, 1976, pp. 520-522), the main problem seems to be that there are not enough opportunities to engage in risky entrepreneurial activity, let alone the rewards. This deficiency can only be corrected through radical changes in the structure of property relations.

In addition to the practical difficulties involved, any significant change in ownership or the structure of property rights in the Soviet Union must overcome the major ideological barrier of the sanctity of public ownership of the means of production, and of the closely related dogma against 'exploitation,' the employment of people by other people. These are two major pillars of socialism, most consider them its essence. But even here there are substantial changes, both at the declarative and planned levels, as well as in practice. Under the neutral term of 'plurality of property relations', (see for example, Bogomolov , 1987) a number of new arrangements in property ownership and rights are being considered and implemented: a. Cooperatives, where assets are commonly owned, but not necessarily in equal shares; b. Leasing of public assets by collectives or even individuals. Under these arrangements the 'public' remains a formal owner, and receives rent, leaving the running of the enterprise, or farm, and the residual income after paying the rent, to the lessees; c. Allowing strictly private ownership of small scale service or farming units; d. Issuing 'shares' of various kinds to workers of given enterprises and to various public institutions, thereby establishing the basis for some kind of capital market; e. Allowing joint, Western-Soviet ventures, even with majority

¹⁴ See citations ^{in Sm} ~~on p.~~ 16 below.

ownership by the Western partner; and finally, f. Under the law of public enterprise an attempt is being made to provide management and the work collective with enough independence of action, and material incentives, which goes part of the way in emulating the principal-agent relationship existing in market economy corporations between owners and management.

In most of the above cases, at least the semblance of public ownership is preserved while an effort is made to make the operators feel and behave 'as if' they are real owners.¹⁵ By keeping at least a title of public ownership, the question of 'exploitation' may be formally solved, though in practice, employment of workers in cooperatives owned by private people, or in joint ventures, may go beyond the letter of the accepted doctrine. In many of the discussions on the new forms of property relations, the exploitation issue comes out as the most sensitive and as one that must be preserved (Abalkin, 1989).

A number of interesting points are coming up in the Soviet discussion of these issues: first, the complete disenchantment with formal and impersonal public ownership, both on the grounds of efficiency and of social justice.¹⁶ Second, there is a surprisingly positive evaluation of some of the relatively newer ownership arrangements under 'advanced capitalism', like share holdings (!!!), cooperatives, public sector ownership, public, regulated corporations (Shkredov, 1988, p.17; Bogomolov, 1987; Shishkov, 1989). Third, there is a growing realization that what constitutes 'property rights' is a vector or an array of distinct rights that can be separated from each other, and

¹⁵ See: Gorbachev, 1988; Abalkin, 1988a, pp. 59-62, 1989; Hanson, 1988; Shkredov, 1988; Aganbegyan, 1988; Bogomolov, 1987.

¹⁶ Gorbachev, 1988; Shkredov, 1988, pp. 17-18; Medvedev, 1988, p.5; Simonyan, 1988, p.8; Hanson, 1988; Bogomolov, 1987; Shishkov, 1989, p.14.

distributed to different agents in more than one way. This divisibility, which is not recognized in classical socialist doctrine, permits a much higher level of flexibility and pragmatism in dealing with property, much like the Western approach where taxes, laws and regulations can transfer property rights from owners to the public (Abalkin, 1988a, pp. 61-62; Shkredov, 1988). This flexibility makes it possible in theory to satisfy the demands of both ideology and efficiency.

While all the changes in the structure of property rights listed above are definitely in a converging direction, they still fall far short of a full adaptation of Western patterns. At this point the majority of public enterprises are planned to remain public, and there are still no clear indications as to how far the proposed changes will go regarding bankruptcy, transfer, inheritance, and trade in productive assets, which are very important elements of the structure of incentives for entrepreneurs in the West.¹⁷ We may be witnessing experimentation in innovative forms of public-private mixes of ownership and rights, with a larger role played by the working collectives of enterprises, maybe along lines of Wietzman's Sharing Economy, in accordance with some Japanese arrangements, the recent acquisition of American companies (the most recent being United Airlines) by its workers, or others.

Another major obstacle to proposed changes in property relations, and also to proposed changes in the wage structure, is the social resistance to unearned incomes, and against receiving very high income from whatever source. The very high incomes made by members of some of the recently established cooperatives, and by some of the private or leasing outfits in

¹⁷ Berliner, 1986, projects and discusses a three-sector economy for the Soviet Union. Shmelev, 1989, expects the Soviet economy to become a "mixed economy," with 60 percent public and 40 percent private production.

agriculture met with a general outcry against 'speculation', forcing the government to react with restrictive measures. While unearned income is not permitted under socialist doctrine, any change in the structure of property rights will have to find ways to accommodate at least some kinds of such incomes. Regarding the size of some of those incomes, including legitimately 'earned' income, there seems to be a conflict within Soviet society on the appropriate meaning of 'social justice' or socialism as related to income distribution. While socialist doctrine clearly states the norm of "to each according to his work", which in principle tolerates any level of pay differentials, as long as they reflect production results, the more popular perception calls for a much more equal distribution, closer to the communist norm of "to each according to his needs" (Yakovlev, 1989b). The present day extremely high incomes and exorbitant prices in the still very small private and cooperative sector, the target of the popular outcry, reflect the extent of resource distortion in the public sector, the lack of adequate work and supply conditions of that infant activity, and the character of some of the people who are the first to grab the new opportunities. A vicious circle is created according to which, instead of addressing the phenomena by extending the market and by providing a better economic infrastructure, restrictions on its operation are imposed. The formal socialist doctrine used by Stalin to justify wide wage differentials in the 1930's is being reinvoked now by the leadership in order to fight against levelling. Whatever the true source of the popular demand for equality, seventy years of socialist education or historical Russian tradition, or both, Soviet society is facing difficulties in this area, and it is taking only the first steps toward converging with respect to tolerating both unearned income and wider income differentials (Yakovlev, *ibid.*).

Two claims are made against the motivational effect of the structure of wages in the Soviet Union. One is that the differentials are too narrow (Gorbachev, 1987a; Yakovlev, 1989a, 1989b) and the other is that irrespective of the size of the differentials, payments are not consistent with efforts or results (Zaslavskaya, 1986, 1989; Shkredov, 1988, p. 18). The first may be true to some extent, (but see Bergson, 1984; Ofer and Vinokur, 1987), but if any kind of rewards for entrepreneurship are introduced through the changes in the property rights structure, it may take care of this problem. The first and the second problems together may be addressed when market forces and competition increase their impact on the production sector.

The increased inequality of incomes, and the tighter relationship between work and reward, if and when they arrive, will necessitate an overhaul of the welfare support and income maintenance programs of the state. This will provide an opportunity to do some converging of the inadequate welfare system of the Soviet Union, even under the old system.

There seem to be three general changes that are discussed and that will have to take place in the Soviet welfare system: more attention will have to be given to the weak part of the society, with an added role of taking care of those who under the new conditions will not earn enough, and of the unemployed that may appear. To the extent that wage policy had been used for these purposes in the past, such obligations will have to be shifted to the welfare system. Second, with the appearance of private and higher incomes, more attention will have to be paid to creating a significant and more progressive income tax system. Finally, the overall budget for social services and welfare will have to decline as part of the general effort to reduce the size of the public sector. One way to achieve this, and also to attend to the additional, targeted, welfare needs,

is by cutting the level of universal services, or turning them into more targeted services, encouraging some privatization and establishing some direct payments for services by the stronger part of the population. In addition to the savings created this will also increase the progressiveness of the combined system of tax and support programs. First to be reduced are the food and housing subsidies, but other services may also be considered.

Most of the above appear in the Soviet debates on the prospective changes, together with calls to study the Western welfare state system and to copy suitable elements. Other efforts include sending fact-finding missions to Sweden, Austria, and other countries (Zaslavskaya, 1989; Aganbegyan, 1988;).¹⁸ Alongside there is also a positive re-evaluation on the part of Soviet writers of the social value of the Western type welfare-state as part of the advanced or mature capitalistic system. In addition to praising the social benefits of the programs, some writers emphasize the flexible and pragmatic approach employed in the West to seek solutions to social problems. So in addition to converging tendencies in substance there is also more appreciation of the general approach (Borko, 1988).

A stereotyped picture of the systemic difference between the welfare system under socialism and capitalism is that under the former more social services are supplied by the public sector for both ideological reasons, and because the market, which is weak, cannot do it properly (Inkeles, 1988). On the other hand socialism needs to invest less in correcting for income inequalities and for caring for the poor, since the economic system itself reduces the incidence of these phenomena. To some extent the Soviet Union seems to be gearing its welfare system towards the problems common in the market-economies.

¹⁸ See also the citations in fn¹⁹ below.

IV. Concluding Remarks: Convergence in Soviet Discussions.

How far will the Soviet Union go along the convergence road, along which it seems to have embarked? Would it necessarily be a full convergence? How do Soviet students of change view the issue of convergence? Summary answers to these three questions are offered here by way of concluding comments.

All signs so far seem to indicate that if perestroika is allowed to proceed, its leaders are ready to travel any distance that may be needed, in terms of systemic and ideological changes that it may take to turn the Soviet economy around. Under the reforms of the past five years we have seen a consistent shift in the list of proposed changes, from relatively limited to more and more radical systemic changes, on both the economic and political fronts, and there is no reason to believe that the ultimate limit has been drawn. The continuous upgrading of the extent of needed changes is probably a combination of a growing realization of the extent of the crisis the Soviet Union has reached, of a learning process of what it takes to get out of the crisis, and possibly also a deliberate strategy on the part of the leadership to present the full panorama of needed changes in a gradual manner, leaving the more difficult parts for a later stage (Ofer, 1990). In the uphill struggle to save the 'regime' that is the socialist system, and to save the Soviet state as a viable country, it seems that priority is given, and must be given, to the latter at the expense of the former.

The extent of the changes are clearly as yet unknown, though the direction of change is very clearly marked. To this day, and one should expect this to last longer into the future, there is a total reluctance to redefine socialism in terms of an exact institutional program of action or of a new doctrine. The general response to questions in this direction has four basic

parts: that the doctrines and institutions of the socialist system were deformed and distorted in the past, that the new form of socialism must include an efficient economic mechanism, "... superior to the previous social formation (that is capitalism, G.O.) and achieve a higher level of efficiency, quality, productivity, and a faster pace of scientific and technical progress," (Abalkin, 1988a, 1988b, 1989); that socialism is, of course, also about social justice, humanism, and democracy, defined this time mostly in terms of abstract goals rather than by well defined instruments; and finally that redefining socialism is a very difficult scientific question needing a thorough study that has not been completed (Abalkin, *ibid.*). However, considering the sacred place of public ownership of the means of production under classical socialism, a large effort will probably be made to try and 'square the circle' on this issue, to develop new structures of property ownership and rights that will satisfy both needs, for a higher level of entrepreneurial initiative and risk taking and of rewards on the one side, but that at the same time will "enable the working people to control (sic) the means of production..." (Abalkin, 1988b, p.83).

Convergence may therefore not go all the way in terms of the specific institutions and social arrangements that will eventually take place. It seems, however, that it may go most of the way by changing the major approach to reform, shifting from a fully contained, predetermined, and eventually sanctified dogma, to a set of more flexible steps, that may be changed in face of new realities, and that will aim at addressing problems, not necessarily completely solving them. In this respect the general social approach of the Western democracies is adopted, and indeed we are witnessing 'the end of ideology' in the meaning given to it by Lipset, of sticking to the promotion of social values, such as social justice, but without straight-jacketing the solutions in a well-defined, unique and sacred,

and deceptively simple, institutional dogma, (Lipset, 1977), at least as far as the Soviet brand of socialism is concerned (See also Fukuyama, 1989).

To what extent do Soviet writers see the reforms and changes in the society as convergence toward the Western, Social-Democratic model? Convergence as such toward the Western model is not accepted, indeed in most cases it is fully rejected when proposed, or at least ignored. A distinct socialist model, superior to the present Western model is to be developed. However, there is a very significant change from the period of outright rejection, indeed of a counter claim of how the West and capitalism will eventually converge toward and be overtaken by socialism.¹⁹

One basic change is that it is now recognized that many of the new elements of the Soviet reform are practiced in one variant or another in the Western world. Different writers claim that some of these elements are socialist in origin; some of them, or even the same aspects are neutral outcomes of the development of human society and are not 'capitalist' in the sense that they do not embody the negative aspects of capitalism, and therefore can be adopted. There is an expanding literature on how capitalism managed to ameliorate some of its original contradictions, and how, under the pressure of the working class and the Social Democrats, solutions to the major social problems were sought and found. In this connection it is claimed that the establishment of socialism in the Soviet Union presented a strong challenge to capitalism to reform and improve

¹⁹. For a survey of pre 1973 writings see Goure, 1973. The following is a very short summary of points made in essays and speeches by the following, who however, expressed differing views on some of them: Gorbachev, 1987; Yakovlev, 1989a, 1989b; Medvedev, 1988, 1989; Shkredov, 1989; Borko, 1988; Bunich, 1989; Shakhnasarov, 1989; Afanasyev, 1989; Figurnov, 1988; Oldak, 1988; Bogomolov, 1987; Shishkov, 1989; Simonyan, 1988; Moiseyev, 1988.

itself, especially in aspects concerning social justice.²⁰ And that some of these solutions, like those practiced by the Swedish system, can be used in order to renovate the socialist system. At least one writer goes so far as to suggest that under normal historical development, socialism should have followed and replaced the more mature, present day form of capitalism, and had this happened naturally, all the new social elements of the welfare state, some of the new forms of property relations, and the enhanced role of government, as well as the higher productive ability, would have been absorbed as the basis for further change. In this connection the revolutionary notion of "The old world, up to the base we shall destroy" is rejected. Coupled with very strong criticism of the Stalinist or even the classical socialist model altogether, these praises of Western developments approach a recommendation for convergence. In a dialectically ironic switch, the Soviet writers praise in particular the realistic, down to earth and pragmatic Western approach to addressing problems, as distinct from the utopian, unrealistic and doctrinal traditional socialist approach.

One way by which Soviet writers explain or justify the use of similar approaches or institutions under the two distinct systems is by invoking the universality of some of the present problems of human society: the increased mutual dependence of nations in a miniaturized world as manifested in the nuclear danger, the ecological problems, the North-South tensions, etc... . These common problems call not only for learning from each other, but also for a higher degree of cooperation, for the de-ideologizing of international and inter-system competition, and for reducing or even eliminating its military and other negative aspects. All these, are the basis for the above

²⁰ While most define the challenge as a positive one, at least one writer presents the negative aspects of the Stalinist socialist system as the motivation to come up with better solutions. (Borko, 1988, p.76).

mentioned 'new thinking'.

All the changes that have been discussed in this paper are characterized by the adoption of various elements and institutions that are part of the liberal-democratic, mixed-economies of the West. This is true with respect to changes in the process of decision-making, democratization in the shift of the major goals, and in accepting traditional tradeoffs among them; in the means that are considered to be introduced in place of those that are earmarked to be phased out, or at least phased down; and in the move from a rigid doctrinal approach to a more realistic one in a search for the solutions to the problems of society. The target remains socialism, radically different from the existing one, but that is yet to be defined in both the configuration of its goal function, and the institutional framework. Whether at the 'end' socialism will become indistinguishable from present or future-day Western democracies may not be so important. Both Brzezinski and Fukuyama are basically right in the sense that the old doctrine and institutional arrangements of Soviet-type socialism are up for a very radical change, clearly in the direction of the mixed Western system. In the process, new institutional arrangements may be created and new policies devised for the benefit of everyone.

We are witnesses to one of the most fascinating political, social and economic experiments, and therefore I must disagree with Fukuyama's lament about the 'end of history' and of the coming boring future. Without going into the larger question of how history may evolve into the future, let me suggest that the working out of partial solutions to complex social problems in an evolutionary way, in East and West alike, demand more creativity and ingenuity than the development of the heroic, though simplistic grand designs of the last century, that indeed manage to create grand (and 'interesting' a la Fukuyama)

international conflicts. To the extent that the approaching systems may also signify a new world order with a higher dose of cooperation and less conflict, this should become a very interesting, and innovative historical experience indeed.

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