

PERESTROIKA AND THE NEO-LIBERAL PROJECT

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The time has come to stop swearing allegiance to the dogmas of the Marxist faith, and to return to common sense, universal human experience, and the eternal moral commandments which have not yet let the people down. Will we not find our salvation and a way out of the impasse in these?

Introduction

Abjurations of the Communist God that Failed have become a social ritual surpassing even an ostentatious religious revival and astrological consultations as diversions among the Soviet intelligentsia during the Summer of 1990. The above quote is a typical example of a published mea culpa in which the well-heeled author berates himself for not having sooner found the "courage of Andrei Sakharov" to denounce the cruelty and injustices of socialist totalitarianism. Even two years ago, a public statement of this kind whatever its political colouration involved risk and would have to be regarded as bona fide proof of the depth of the author's convictions. But after the rout of a decadent Right, such acts of public self-flagellation invite the charge that old opportunists are now seizing on new opportunities and making a second career out of leaving the CPSU. The article cited above was written by Oleg Bogomolov and entitled "I Cannot Absolve Myself from Guilt" [Bogomolov, 1990a]. The head of a leading Soviet **think-tank** on international affairs admitted the failure of his life-long endeavour to reform the system from within and announced his intention to resign from the party. This recantation would sound more credible if Bogomolov's institute did not provide a haven to influential policy intellectuals preaching a Russified form of Ordo-Liberalism with unmistakable authoritarian implications in its vision of a free market and a strong state. Bogomolov's sudden ideological conversion provides an extravagant example of the realignment now taking place within the dominant class as different fractions vie for power in a Post-Stalinist Soviet Union.

The ideological debates of the first stage of the Perestroika have been dominated by this sort of "socialist Friedmanism" which offers a

sweeping privatization of the economy and professionalized de-politicization of administration as the sovereign remedies to the Soviet economic crisis [Kornai, 1987, p. 251. The many strands of Soviet neo-liberalism converge on at least a verbal acknowledgement of the self-regulating market as the paramount social institution and core institutional nexus of a "normal" society. During the Neo-Stalinist retrenchment of the early seventies, ginger groups of neo-liberal intellectuals were allowed to go on working at various academic think-tanks like Bogomolov's Institute under the protection of influential apparatus "uncles" such as Iurii Andropov who headed the KGB from 1967 to 1982. From these safe harbours, neo-liberal intellectuals were able to enter the reform struggle of the mid-eighties with the most coherent and well informed critiques of the old regime. As a result, their ideas took centre stage during the opening skirmishes of the reform discussions. The expressed aim of the neo-liberals was to supplant the decadent Real Socialism of the Brezhnev era with what they at first coyly described as a "realistic socialism". With the Neo-Stalinist system collapsing under the weight of its own internal contradictions, many neo-liberals are no longer bothering to disguise their enthusiasm for a "capitalization" of the Soviet system. One Soviet journalist even paraphrased Nikita Khrushchev's famous promise to read: "Will the present generation of the Soviet people live under capitalism" [Bobrovskii 1990]? This article will try to answer this question by examining the political origins, social foundation, and ideological programme of Soviet neo-liberalism. My primary aim is to sift out of its programme those essential themes which prefigure the neo-liberal future, and assess its potential for becoming a majoritarian political project. The paper is divided into the following sections:

- I. The Political Sociology of Soviet Neo-Liberalism.
- II. Neo-Liberal Political Strategy.
- III. The New Inequality.
- IV. Social Policy.
- V. Employment Policy.
- VI. Working Class Integration and Self-Management.
- VII. Neo-Liberal Economics.
- VIII. Conclusion.

I. The Political Sociology of Soviet Neo-Liberalism

The Brezhnevian *Zastoi* or Stagnation attempted to arrest forces of change which had been set in motion long before the Neo-Stalinist retrenchment of the late 1960s. But despite all attempts at repression, a modern secularized society continued to push its way up through the thin crust of an exhausted and antiquated system. Increasing demands

on the administrative machinery fostered a structural differentiation whose most obvious outward manifestation was the fissioning of ministries and industrial branch offices from 37 in 1957 to 60 in 1974 and almost 100 by 1988 [Rossolov, 1989, p. 157]. The multiplication of bureaucratic structures and the expansion of existing agencies were propelled by a doubling of the operational paper flow of the apparatus from an average of 30 billion pages a year during the 1960s to 60 billion pages a year in the 1970s. Roughly 80 percent of all administrative activity is now devoted to the processing of **techno-economic** information which theoretically at least involves the reasoned evaluation of 10 quadrillion (10,000,000,000,000,000) individual economic or political signals a year. The exponential growth of the paper flow in the administrative network reflected a proliferation of social interdependencies which created the objective need for a qualitative transformation of the command-administrative system. The defeat of the first wave of de-Stalinization enabled a dirigistic administrative system pretending to an illusory **omni-competence** to endure long beyond the phase of relatively uncomplicated extensive growth for which it was originally designed.

The Soviet Union underwent decades of a state-led economic modernization and social mobilization. During the Stalin era, social mobilization was largely sublimated into individual mobility across class lines into a rapidly expanding command-administrative power structure. But the country has not yet undergone a real political mobilization in which elite fractions and functional groups outside the oligarchical strata of the dominant class were permitted to organize their common interests into political programmes and campaign for popular support. Reform from above was effectively precluded during the Brezhnev era because it would have upset precarious political equilibria within a closed power elite. Clientelism instead of a greater degree of elite pluralism became the preferred means of arbitrating differences within the Soviet dominant class [Sapir, 1989, p. 146]. The Brezhnevian coalition sought to broaden its elite base by cooptation or the practice of absorbing into its ranks the upper strata of ascendant functional elites and some segments of the intelligentsia [Hankiss, 1989, p. 16]. Coopted elite strata enjoyed greater privileged access to material goods, enhanced social prestige, and perhaps even reinforced clout within their own institutional preserves. But their honorary status within the councils of power confined them to playing at best a purely advisory role in the actual policy-making process.

If the class nature of a society is defined by the principal means through which the surplus is extracted by the dominant class, then the predominant mode of production in the Soviet Union can best be described as a statist system where exploitation is mediated primarily

through administrative processes. Economic and political power remains almost entirely predicated on a monopoly of state or public property which provides a "splendid cover for private appropriation" by an administrative class which can pass all the risks and liabilities along to the central authorities. [Dzarasov, 1990, p. 801. The Brezhnev government fortified the neo-Stalinist system with a rampart of overlapping oligarchical, clientelistic, and nepotistic networks [Hankiss, 1989, p. 221. This perimeter was in turn reinforced by a "corrupt interweaving" of venal party-state cadre and underground entrepreneurial elites who all seek to capitalize on the defects of a demonetized bureaucratic market [Hankiss, 1989, p. 251.

After an initial half-hearted attempt to become a rationalized consultative authoritarianism, the **neo-Stalinist** power structure settled down into another historical example of a degenerate *vincolismo*. Segments of a dominant class which had outlived their usefulness as far as optimal economic development was concerned, sought to preserve their political preeminence by walling themselves off as much as possible from ascendant social forces through elaborate forms of protectionism and sinecurism [Burlatskii, 1985, p. 1431. One example of the inability of the cooptative mechanism to absorb a critical mass of the upwardly mobile was provided in an article by an Omsk journalist. He complained that only 0.8 of the college-educated specialists working in the agricultural production of the region headed a production collective, while most of present managerial strata were the beneficiaries of apparatus nepotism [Shpakov, 19871. The prevalence of these practices was evident in the warnings of a sociologist about the detrimental effects on social morale of political inbreeding where the "privileged strata of our society are increasingly reproducing themselves across generations, and thereby causing these strata to become even more closed" to talented and ambitious newcomers from other elite groups outside the charmed circle [Naumova, 1990, p. 91. She faulted the nomenklatura old guard not only for its blatant corruption but also a suicidal "unwillingness to share its growing income with the middle strata entrepreneurs and skilled workers". As Brezhnevism slipped further into catalepsy and real wages stopped growing after 1976, the cooptative mechanisms gradually lost their ability to ward off the emergence of counter-elites both within the nomenklatura and outside it. Fundamental economic change was impossible without a sweeping reallocation of power within the dominant class and the re-ordering of the hierarchy of elites.

An Italian journalist described the "cold and determined anti-ouvrierism" that she had often encountered among reform-minded intellectuals in the Soviet Union [Rossanda, 19871. In

pre-revolutionary Russia, distrust of the *Nizy* or plebeian classes drove much of the national liberal intelligentsia into a de facto alliance with **Tsarism**. Liberal fears of a popular revolutionary animus were reflected most abjectly in the Westernizing ideology of *Vekhi* or Landmarks. A Soviet left-wing **emigré** noted how the liberal dissident movement of the 1960s and 1970s recoiled from the prevailing paternalistic Marxist orthodoxy towards an indiscriminate *Narodofobia* (demophobia) [Belotserkovskii, 1985, p. 1081:

The worker was always the social base of communism or fascism. In the future Russia, we must drive them down below. To the galleys with them. Let them have television and other household conveniences but keep them down below.

The working class on the whole was perceived as a privileged social constituency of the Brezhnevian social contract and a silent majority of "lumpen-elements" which upheld authoritarian rule [Gordon, 1987, p. 21. This objective alliance between the nomenklatura and the industrial working class was cemented by the "common pot" of a welfare state which enabled the right to integrate workers into its political base and repulse any attempt at reform [Lisichkin, 1987]. In light of this political sociology, the only alternative for realistic reformers was to place their trust in the lofty sensibilities of modernizing elites. Since Stalinism had such deep plebeian roots, a mass movement against the apparatus must be restrained from becoming a democratizing revolution because it would result in the empowerment of totalitarian mass man. This reasoning dictated that the political overthrow of the nomenklatura should be limited to a liberalizing circulation of elites and no more.

This liberal elitism had earlier been given a academic pedigree by Oleg Shkaratan during the reform debates of the late 1960s. The labour sociologist contended that as a result of the past fifty years of meritocratic natural selection, the scientific-technical intelligentsia and the most highly skilled strata of the working class had finally coalesced into the "social core" of a new collective proletariat [Shkaratan, 1970, p. 463-41. At the head of this collective proletariat should march "those vanguards which by the breadth of their political horizon, by their specialized knowledge and implementation of this knowledge in the struggle for the construction of a new society, most fully express the demands of the scientific-technical revolution as well as the tasks of social progress". Shkaratan identified these ascendant functional groups as the main driving force of a second industrial revolution. The clear political implication of his analysis was that if the Soviet Union was to meet the challenge of a new era, the government had to shift its social base from a now genetically impoverished working class to a radically reconfigured inter-class alliance

centred on the intelligentsia. Shkaratan's ideological daring earned him an official party reprimand and academic demotion from a Brezhnev government whose core vested interests felt themselves mortally threatened by even the mention of the possibility of such a coalition.

The disciplining of Shkaratan and a number of other liberal sociologists drove this techno-biological elitism underground, only to have it resurface again in forms both ominous and ludicrous. The seventies witnessed a flurry of genetically rationalized justifications of inequality and hierarchy which essentially repackaged the theorems of Western sociobiology under the rubric of a "highly humane socialist eugenics" [cited in Dubinin, 1980, p. 70]. The modishness of this Social Darwinism within some segments of the liberal intelligentsia prompted an internationally respected biologist to publish a critique of these tracts which spelled out their profoundly reactionary implications in every realm from primary school tracking to an even more punitive penal system [Dubinin, 1983, p. 184].

The social tensions giving rise to this eugenics revival came closer to the surface in an 1980 essay by Aleksandr Gorbovskii who maintained that the present composition of the Writers' Union was predetermined by the "genetic code" of its individual members [Gorbovskii, 1980]. The journalist was addressing the problem that many more sought entry into the "temple of culture" than there were spaces available, and the resulting friction was fueling an increasingly "furious row" between the biologically gifted and the common run of humanity. Gorbovskii advised those overreaching "unrecognized geniuses" to abandon their quest for entry into the "social elite. . . and cultural elite which if continued, would sooner or later doom them to disillusionment and a mental breakdown". The genetically plebeian were encouraged to accept the humble station in life preordained for them by their genotype, and resolve to excel as "pot maker, ploughman" or any other menial occupation deemed compatible with their unfortunate DNA inheritance. Gorbovskii was directing his remarks to the restive dissident fringe of Soviet literati who were trying to counterpose new iconoclastic standards to the orthodox canons of excellence.

In both its refined and vulgarized forms, this techno-biological justification of an inegalitarian status quo reflected a mounting concern within some elements of the Soviet elite over the volatile concurrence of rapidly diminishing opportunities for social promotion and the swelling ranks of "pretenders" seeking access to professional-managerial strata which were becoming increasingly self-replicating [Shkaratan, 1978, p. 187]. Shkaratan's meticulous scholarship sought to legitimate social power asymmetries by the biological rationale of

cognitive class differences. Gorbovskii's absurd sociobiological tract rooted an eternal social hierarchy in a genetic imperative. The common thread in these and countless other examples is the search for politically credible exclusionary devices or a set of legal-rational mechanisms which enable a dominant class to maintain and reproduce itself while preserving popular legitimacy or at least acquiescence. In the Soviet instance, this potpourri of biological and meritocratic apologetics would serve as a justification of social closure in a system whose class structure is still gelling after having undergone decades of state-led accelerated modernization with unparalleled levels of upward social mobility. The Soviet dominant class developed out of a dirigistic political-administrative system and it has yet to fully emancipate itself from this anachronistic crucible. The struggle against the Stalinist system at the elite level was in part a derivative of the long-term process of class formation within a state-created dominant class which in increasingly greater numbers seeks to assert itself against the state which had originally brought it into existence. These obscure controversies of the past three decades were the first trickles of the neo-liberal intellectual current which has moved into the mainstream of the reform debate of the nineties. The neo-liberal project has quite deliberately set out to become the "ideology of new class formation" and the main political vehicle of the restructuring of a dominant class-in-itself into a dominant class-for-itself [Semenov, 1990, p. 351.

II. *Neo-Liberal Political Strategy*

Gorbachev has been described as both a product of the old command-administrative system and a "mutant" bred by the crisis of Neo-Stalinism [Chiesa, 1990]. The party General Secretary first brought to the centre of power a new generation of nomenklatura elites who had recently been directors of major industrial complexes. These "energetic technocrats" took office confident of their ability to turn a deteriorating economic situation around by increasing investments across all fronts [Gaidar, 1990]. But this attempt to modernize the neo-Stalinist system without altering its essentials soon proved to be a futile undertaking. The Gorbachev government was then forced to consider the possibility that the Soviet economy was mired in a structural impasse which could not be surmounted by blindly continuing to press ahead with the conventional remedies. At the January 1987 Party plenum, Gorbachev for the first time openly espoused a transition strategy that called for a change of "property relations" or significant redistribution of power resources within the dominant class [Pavlov, 1990].

If Gorbachev has succeeded in anything, it was his often stated

promise to restore meaningful politics to an oppressively ritualized public sphere. The Supreme Soviet elections of 1989 and 1990 demonstrated his commitment not just to liberalize the old neo-Stalinist system but actually transcend a bankrupt institutional regime. The radicalization of the party modernizers was accompanied by a radicalization of the reform intelligentsia. At the beginning of the Perestroika, the political leadership of the Soviet intelligentsia was provided by the "children of the XX Congress" or those cultural figures whose political worldview was formed during the Khrushchev Thaw [Pavlova-Silvanskaia, 1990]. Most were strongly influenced by the ideas of the Prague Spring and expected a revived party to become the main protagonist of reform. With the faltering of the first stage of the Perestroika, the political initiative gradually passed to policy intellectuals no longer content with courting the new nomenklatura reform generation and dissident party members who rose to prominence during the intra-elite struggles of the past few years. Ambartsumov described this rapid emergence of counter-elites after 1985 as the "formation of a new stratum of the ruling class" which must be absorbed into the ranks of an incompetent and compromised old elite to rejuvenate the entire political class [Ambartsumov, 1990b, p. 451]. The academic viewed these incipient trends as a classic historical example of ideas and rhetoric running well in advance of inexorable changes in social structure and broad-based political organization.

A few Soviet analysts of the Perestroika have interpreted its central political dynamic as a form of "class formation" which has been gathering momentum since the 1960s [Go, 1990, p. 116]. Some neo-liberal partisans point to the early 1970s as that decisive juncture where the "bureaucracy transformed itself into a ruling class" and the neo-Stalinist system finally lost its adaptive capacity [Kiva, 1990b]. Others perceived a "fusion of professional and bureaucratic elites" leading to the consolidation of "completely impenetrable monolithic professional-bureaucratic structures" [Khromov, 1989]. The latter analysis more accurately depicts the cooptive alliances struck between different strata of the Soviet dominant class under Brezhnev as opposed to the polarization described by Kiva. But the price of this *modus vivendi* was the ability of an oligarchical old guard to abort the emergence of a reindustrializing technostucture from a fusion of party modernizers and technocrats. Brezhnevism embodied the successful attempt of post-Stalinist elites to adapt a faltering command-administrative system to their narrowly conceived class interests [Bogachev, 1990, p. 411]. By the early eighties, the self-destructive growth pattern of Brezhnevism made it impossible to sustain the old coalition and latent intra-elite tensions quickly

resurfaced. Subsequent attempts to realign the nomenklatura across all levels of the power structure have convulsed both the party and the Soviet dominant class as a whole. The animosity of the neo-liberals towards Brezhnevian Old Corruption is fed by the long festering resentment of counter-elites within the Soviet intelligentsia against the stifling rule of tenured nomenklatura mediocrities, the yearly waste of production resources amounting to 20 percent of total GNP, and the squandering of incalculable developmental potential [Zaichenko, 1990, p. 70]. The breakdown of the established political equilibria within the dominant class has set into motion a new dynamic of inter- and intra-class conflict and alliances of which neo-liberalism is only one tangent.

The neo-liberals are seeking to replace the tactical ouvrierism of neo-Stalinism with Shkaratan's formerly tabu ideological claim that the "major part of the scientific-technical intelligentsia is the most authentic working class" [Sobchak, 1990, p. 32]. The prospect of rapid privatization and marketization is designed to "appeal first of all to the so-called middle class, people of middle income who want to become property owners (as well as businesspeople)" [Belousov and Klepach, 1990, p. 28]. The principal constituencies of the neo-liberals were identified as the "main personages of the market": private farmers, private industrialists, private financiers, and foreign businessmen [Sokolov, 1990]. General estimates of the size of the Soviet middle class range from 15-30 percent of the entire population or 43-86 million. But many sociologists warn that this figure is greatly inflated by the inclusion of many middle-level apparatchiki and manual labourers receiving premium wages which dilute the concerted political clout of these intermediate strata [Naumova, 1990, p. 9]. The prospective constituencies of neo-liberalism can actually be drawn more precisely. In terms of income and savings, the natural political base of neo-liberalism would centre on that roughly four percent (11 million) of the entire population with a minimum average per capita monthly income of 300 roubles who control 68.9 percent of total savings deposited in Soviet banks [Shverdlik, 1990, p. 27]. In particular, the core of this social group would be the super-rich 0.7 percent possessing 54 percent of all savings. These high-income groups have been growing rapidly since the beginning of the Gorbachev era with the number of those earning a minimum per capita 300 roubles a month increasing from 1.4 percent in 1985 to 2.7 percent in 1988 and 4.3 percent in 1989 [Valiuzhenich, 1990]. But even the most fervent neo-liberals put the maximum figure of those with sufficient capital to buy into privatized enterprises at 5 percent of the workforce (6.5 million) and probably much closer in reality to 2-3 percent (2.5-4 million) [Piiasheva, 1990b]. The bedrock of these social strata is seen

to be the burgeoning cooperative movement which has increased fifteen-fold over the past two years to 250,000 ventures employing 4.8 million with an annual production volume of 40 billion roubles or 6 percent of total national income [Esipov, 1990]. These social strata have already furnished much of the financial backing for neo-liberal politicians and organizations. Despite their relatively small number, these entrepreneurial strata provide one of the few solid footholds in the magma of a formative post-Stalinist politics. Alongside these are the roughly 30-100,000 underground millionaires who made their fortunes in various forms of illegal activity during the Brezhnev era [Bondarev, 1990]. An unsuccessful August 1990 proposal by neo-liberal parliamentarians to grant a blanket amnesty to all shadow economy dealers, indicates their desire to incorporate this demimonde into their political base and become in effect their lobbyists within the halls of power [Kurashvili, 1990a]. To this must be added the roughly 20-30 percent of the six million state managers said by neo-liberals to be professionally and temperamentally fit for the rigours of a private market economy [Travkin, 1990, pp. 34-35]. The primary objective of the neo-liberal project is to create the conditions for the emergence of a "new social class — a class of property owners which makes a living not by the sale of their labour to the state but through their own entrepreneurial activity conducted at their own risk and liability to facilitate the growth of capital" [Zaslavskaja et al. 1990]. The longterm ambition of neo-liberal strategists is to forge these few million nascent commercially oriented interests into the energized core of a "bloc of the most dynamic fractions of various social groups seeking the free realization of their lofty professional and cultural potentials" [Starikov, 1990, p. 411]. Their intention is to draw the main battlelines not between classes but within them by pitting the most enterprising elements in all social strata against a marginalized "bloc of stagnant social groups" which for whatever reasons do not buy into the neo-liberal vision of an opportunity society.

The tactical acumen of the neo-liberals was evident in their ability to snatch for their own reform project the ideological mantle of "left-wing" which has by far the greatest popular resonance in Soviet political discourse, and force all genuine socialist alternatives onto the defensive [Kurashvili, 1990a]. But this deft manoeuvring also suggests the difficulties that the neo-liberals expect to encounter if they attempted to sell an unadulterated programme of recapitalization to a society steeped in what they deem a crude levelling political culture. Some political commentators are sceptical of the ability of explicitly liberal bourgeois parties to broaden their political base in a society where the middle class is so small, and mainly confined to trade and

distribution rather than production [**Maliutin**, 1990]. A more detailed sociological study predicted that the neo-liberals would never be able to extend their support beyond a "relatively small vanguard of highly skilled and motivated workers, and well-organized collectives (no more than one-third of all working people according to the most optimistic estimates)" [Sukhotin, 1988, pp. 16-19]. In plumping for a minimum tripling of present income differentials, the neo-liberals give no thought to the possibility that by raising the apex of the growth coalition, they are precariously narrowing the social base of reform [**Koriagina**, 1990].

This line of argument is rejected by some neo-liberal luminaries like Vasilii Seliunin who contend that the main social base of Gorbachev's left-centrist strategy is the "poorly politicized strata of the population" [Seliunin, 1990, p. 198]. This means that the majority consensus for a gradualist market transition is extremely soft, and its generally passive supporters could be expected to acquiesce if not assent when presented with the **fait accompli** of a neo-liberal economic shock therapy. Even some radical sociologists such as Sergei Kara-Murza concede the possibility that the neo-liberals could become a majoritarian political force by offering a chance for individual personal enrichment even if it is necessary to accept the sacrifice of social welfare guarantees, egalitarian ideals, and the "casting out of society of that 20 percent of the population who are losers" [**Kara-Murza**, 1990, p. 49]. The ignominious demise of the old regime has presented the neo-liberals with a unique historical opportunity to exploit a popular loss of confidence in complex collectivist solutions and large public institutions to mobilize a sufficiently large bloc of Soviet society against the suddenly very vulnerable traditional radical egalitarian value matrix of social solidarity and the welfare state [**Zupanov**, 1983, p. 13]. By adopting the old Russian proverb of "Better a terrible end than terror forever", the neo-liberals are mounting an effective appeal to the apocalyptic mood of a people being worn down by political disappointments and economic deprivation [Danilov-Danilian, 1990, p. 5].

During the past year, many neo-liberals have obviously been further emboldened by the rapid collapse of the **neo-Stalinist** regimes in Eastern Europe [**Sogrin**, 1990]. No longer content to make tactical alliances with the reform wing of the CPSU, they began to openly identify Gorbachev and the party-state modernizers as their main adversary, and launched an uncompromising "struggle against ideologies". After the Spring of 1990, the main axis of the political battle began to shift from the apparatus versus the people to one pitting the open or dissimulating proponents of recapitalization against those advocating a non-capitalist third path [**Kurashvili**,

1990b, p. 181. At a minimum, these militant neo-liberals would like to see a frontal assault on the collectivist institutions and mentality underpinning the old regime, and do not eschew "dictatorial" methods for achieving these ends [Piiasheva, 1990a, p. 951. Many of them take as a strategic model their imaginings of the Thatcherite campaign against the British welfare state. A neo-liberal maximalist confessed her fond hope that a future Russian state would retrace the steps of the Adenauer government in postwar West Germany:

Economic liberalism in the coming period, the banning of communist ideology, the conducting of an All-Russian process of repentance which culminates in the conviction of all the ringleaders at least posthumously, . . . the burial of Lenin's ashes, the sweeping of all socialist-communistsymbolism into a museum, and the unleashing of all the entrepreneurial initiative preserved in our society [L. Piiasheva cited in R. Medvedev, 1990].

The historical confidence of these advocates of free markets and a strong state is premised upon the conviction that they like their Western counterparts have "hooked into" a global wave of decentralization brought on by the informatics revolution and the increasing diversity of the various social sub-systems [Stepin, 1990].

Other neo-liberals are far less sanguine about their immediate political prospects. Aleksei Kiva warned Yeltsin and other inexperienced neo-liberals that they greatly over-estimated the depth of their popular support across the country and their ability to assume power immediately. [Kiva, 1990c]. The historian counselled his colleagues that the construction of new democratic parties and the democratization of the CPSU must be conducted in tandem. Otherwise, the turmoil resulting from a premature political polarization would be conducive to the emergence of radical grassroots organizations which have no ties to the old power structure. The crucial difference between Eastern European events and the Soviet political scene is that relatively mature and tested oppositions were ready to fill the power vacuum left by the fall of dictatorial regimes in the former instances while no comparable democratic forces could yet step into the breach left by the complete disappearance of the CPSU [Shevtsova, 1990a]. Shevtsova urged the neo-liberals not to judge their strength by the size of demonstrations because the real political arbiter of the Perestroika will be the silent majority of "working people not inclined to go to demonstrations" which the neo-liberals have ignored up until now [Shevtsova, 1990b]. A profound lack of confidence in the durability of popular support for a proposed economic shock therapy is evident in the refusal of neo-liberals to submit their proposals to referenda which could conceivably provide a reform government with a badly needed credit of trust. This reluctance to put their ideas to a vote demonstrates the continued

presence of an enormous social gulf between reform elites and the working class. Like the pre-revolutionary Russian bourgeoisie, the neo-liberal intelligentsia obviously does not know what to expect from the workers and has no confidence in its own ability to retain political control over a mobilized citizenry in the heat of a democratizing revolution. The more intrepid pin their hopes on the emergence of charismatic political figures who could parlay a victory in parliamentary elections into a plebiscitary mandate for the implementation of neo-liberal reforms [Aleksashenko, 1990, pp. 18-19]. In the face of these problematic political realities, even the most politically aggressive neo-liberals are beginning to have second thoughts about their leap into freedom. The failure of the Supreme Soviet to ratify the Shatalin plan in September 1990 forced many neo-liberal ultras to mute their rhetoric because the diffidence of Soviet parliamentarians genuinely reflected the fears of their constituents. Even a monetarist Jacobin like Nikolai Shmeliiov now conceded that if the Soviet Union was to introduce a Polish-style shock therapy with a 25-30 percent fall in living standards, "there would be a danger of a social explosion" and so the Soviet Union "must resolve its problems by other less painful methods" [Shmeliiov cited in Baczynski, 1990].

The one certainty amidst all the flux is that the final political face of a post-Stalinist Soviet Union will be shaped by the "resolution (moreover not so much legislative as factual) of the question of property" [Mau, 1990, p. 36]. Under the old regime, the "production-administrative apparatus" formed the linchpin of the governing coalition, and the neo-liberals had to dispossess these hegemonic elite groups whose power was rooted in monopoly control of state property [Kochega, 1990, pp. 48-49]. The neo-liberals are already voicing concern at the ease with which representatives of the old nomenklatura "are transplanting themselves" into the mixed or private sectors, and thereby reconstituting their power base on a new capitalist foundation [Rumiantsev, 1990]. Other neo-liberals play down these fears by asserting that the nomenklatura is mutating within and undergoing a rapid process of restratification. According to this conciliationist view, the opposition to reform emanates from a secondary complex of unregenerate bureaucrats and predatory underworld figures united into a *Bandocracy* of corrupt vested interests rather than the entire nomenklatura. This compromise wing believes that the neo-liberals can find receptive audiences among those segments of an internally divided nomenklatura which have confidence in their "business, commercial, and managerial abilities, and seek the elimination of the state monopoly and the complete privatization of property" [Radzikhovskii, 1990]. In the view of one neo-liberal economist, the party nomenklatura is now undergoing a

process of bifurcation into a "managerial class already allotting to itself the most advantageous positions in the new commercial structures and a relatively small group of ideologues uniting around the Russian Communist Party" [Naushul, 1990]. With a Mandevillian cynicism, he perceived the rapacity of junior- and middle-level nomenklaturshchiki setting up their own industrial consortia and banks as no more reprehensible than the attempts of "democratic circles" to stake out their own claims in the Klondike of privatization. This conflict closely parallels a debate within the **Mazowiecki** government over the "enfranchisement of the nomenklatura" in Poland [Bugaj, 1990]. The neo-liberal wing of the Solidarnosc coalition perceives the old nomenklatura as a prime source of primitive capital formation whose evolution over time into a facsimile of Western finance capital should be encouraged. Their Soviet counterparts are also maintaining that marketization can only be completed after "all the most energetic and influential members of the nomenklatura are relocated into the new structures", and the reconstruction of the dominant class along these lines provides the swiftest path to marketization despite the fastidiousness of some neo-liberal purists [Naushul, 1990].

The most optimistic of the neo-liberal conciliationists assert that Gorbachev and the nomenklatura modernizers will involuntarily end up playing the same role as Janos Kadar and the Hungarian party reformers [Bogomolov, 1990c]. In opening the way to a liberalizing marketization, they will eventually be forced to relinquish authority to the dynamic social forces that their actions had inadvertently unleashed. The neo-liberal mayor of Moscow urged his colleagues to seek out alliances with that "part of the apparatus which recognizes the irresistibility of change" [Popov, 1990a]. He reasoned that the various local party apparatuses together constitute an "enormous social organism" which possesses indispensable knowledge of the unofficial inner workings of economic administration [Popov, 1990b]. Equally important for Popov was the realization that foreign lenders would not grant financial assistance to a neo-liberal government which did not have firm control over the army and the police. This circumstance made a "left-centre coalition" with Gorbachev a sine qua non for any movement towards a market economy. Popov was sure that this Grand coalition at the federal level would reflect a multiplicity of evolving coalitions with differing configurations of forces at all rungs of the Soviet political hierarchy. The mayor pointed to the increasingly cordial relations between the predominantly neo-liberal Moscow city council and the urban party committee as an example to be emulated across the country. Far from launching an indiscriminate attack against the bureaucracy,

Zaslavskaja emphasized that her reform wing was trying to win over the most competent segments of the apparatus service elite to the side of a neo-liberal Perestroika [T. Zaslavskaja cited in Hoehmann, 1988, p. 5471. The clamorous personal rancour accompanying the current realignment of power within the Soviet dominant class has caused most observers to lose sight of the fact that all the major contenders, including the neo-liberals, are "creatures of the very same nomenklatura" sharing the same class umbilical cord rather than dissidents who were subjected to serious persecution under the old regime [Kagarlitskii, 1990b].

Even Boris Yeltsin would admit that only "tactical differences" now came between Gorbachev and himself, and the Russian Federation President made known his readiness for a dialogue which would lead to the consolidation of a left-centre coalition [Yeltsin, 1990]. Despite the vituperation on all sides, the most likely outcome of this factional wrangling is the contemporary equivalent of a "compromise between the crown and new political elites" along the lines of British constitutional evolution where modernizing elements of the establishment gradually broadened the ranks of the **politically** enfranchised oligarchy into a more polyarchical power structure or pluralism of elites [Novak, 1989]. One Soviet academic speculated that the current crop of neo-liberal "muckrakers" and populists would soon give way to a "new generation of political figures who are technocrats" and much more capable of mastering the political processes unleashed by the collapse of neo-Stalinism [Shevtsova, 1990b]. The relative stability of the transition will hinge on whether the nomenklatura and the social groups represented by the **neo-liberals** are two distinct social classes with irreconcilable interests or in fact contingents of fresh social forces pushing their way up from functional elites and entrepreneurial elements into the centres of power and becoming the new core elements of the dominant class by supplanting the nomenklatura old guard? If the social affinities between the nomenklatura modernizers and the **professional-managerial** strata prove sufficiently strong, the Perestroika will culminate in the consolidation of a new form of technostructure emerging out of a more complete interpenetration of state managerial cadre and a formative entrepreneurial bourgeoisie.

III. The New Inequality

At present the neo-liberals are probing the generational and functional divisions within the diverse strata of the dominant class and a new anti-egalitarianism is the wedge being used to open wide these fissures. The neo-liberals flout orthodox hypocrisy by insisting that "elite groups are needed everywhere" and "they will arise

spontaneously and transform themselves into a mafia-like force" if their role is not acknowledged and properly organized [Moiseev, 1988, p. 187]. The campaign against the purported levelling policies of the Brezhnev era is designed to appeal to widespread material discontent within the professional-managerial strata. Long festering frustrations pervaded an article published in an influential literary weekly by Aleksandr Sevastianov who complained about young workers making 300-350 roubles a month as busdrivers after a subsidized six-month training course while the pay scale for tenured academics peaked at 400 roubles [Sevastianov, 1988]. The journalist traced the source of the problem to the democratization of education and the overproduction of intellectuals because previous governments had insisted on maintaining academic affirmative action for working class youth which brought about a "devaluation of intellectual labour". Sevastianov sought to debunk the prevailing egalitarian educational theory by alleging that the "creation of equal conditions for all ran counter to the laws of nature" and a biologically determined distribution of talents. Government educational policy must be predicated on a recognition of the fact that both the "cultural milieu and the genetic situation within the families of the intelligentsia are now most conducive to the emergence of the next generation with a higher creative potential". The reproduction of a "intellectual elite" was to be assured through the consolidation of institutional mechanisms like early rigorous educational tracking, a network of highly selective universities, and a fundamental overhaul of laws on inheritance. Sevastianov like most neo-liberals adamantly opposes educational reform measures which would mandate equal access for all to top quality, diverse, and free schooling at every academic level [Kagarlitskii, 1990a, p. 71].

Nor is Sevastianov voicing eccentric or marginal opinions. Even a party liberal of unquestionable integrity like Pavel Volobuev could write of the "genepool of our people" being diluted by the purges and the war [Volobuev, 1988]. As a remedy, the historian demanded the overhaul of an educational system founded upon "romanticized notions about the boundlessness of talent in our people". A whole generation of Soviet professional-managerial cadre have been profoundly alienated by a Brezhnevian socialism which redistributed income between the middle-income groups and the working class as the price of preserving social peace. The resurgence of a puerile eugenics is fuelled by the revanchist sentiments within these strata which the ideologues of the new inequality are trying to mobilize in the service of a neo-liberal Perestroika.

The neo-liberal reformers are intent on chipping away at the parasitic ascribed privileges and immunities incorporated into the old

nomenklatura system with its conspicuous perks like the "army of chauffeurs", special stores, and endemic graft [Drozd, 1988]. But the neo-liberals seek to replace Stalinist Old Corruption with a rationalized inequality aimed at broadening the scope of meritocratic productive privilege which is viewed as the key to effecting an elite renewal. Zaslavskaja defended the new inequality with the argument that the removal of all nepotistic barriers would create an "equal opportunity. . . for youth from all social groups to enter the complex, interesting and socially prestigious professions" [Zaslavskaja, 1986, p. 63]. Instead of Khrushchev's sporadic efforts to overcome the social division of labour and Brezhnev's limited affirmative action, Zaslavskaja championed a strict meritocracy which would do away with the remaining collectivist rules of exclusion on the basis of social origins, ideological rectitude, or political connections. Rutkevich brushed aside the objections of leftist scholars that this nominally meritocratic educational policy would only further diminish the already vastly "unequal chances" of working class children in competition with the progeny of the elite for academic and professional advancement [Rutkevich, 1986, p. 16]. The prominent sociologist justified the extension of this acknowledged necessary evil with the all-purpose dialectical alibi of the thirties that the "use of social inequality in the role of a lever for the advancement of social equality, arises out of the general logic of the development of socialism". But another academic cut to the real nub of the debate when she offered a favourable assessment of the Chinese abandonment of worker and farmer educational affirmative action as the necessary price to be paid for concentrating limited intellectual resources on urgent priority targets [Bonevskaja, 1986, p. 132]. This new inegalitarian ideology has implications far broader than the temporary exigencies of a conjunctural crisis. Soviet neo-liberals share the tacit assumption of their Western counterparts that the age of a qualitative democratization has finally drawn to a close if this means any pretence at narrowing the gulf between social elites and the subaltern classes through education. In their view, a technologically determined realism dictates that class divisions can only become more unbridgeable in an age of laissez-innovative intensive growth.

In addition to greater social differentiation and meritocracy, the third ideological component of the neo-liberal salutary inequality is a renewed cult of professionalism which presupposes that the professional-managerial strata will be the driving force behind intensive growth. Zaslavskaja writes of the need for younger managerial cadre to acquire a greater capacity for "self-supervision based upon a high degree of professionalism" [Zaslavskaja, 1986, p. 63]. Another sociologist described the model administrator as an

individual who displayed "enormous competence, personal autonomy, sensitivity, independent judgement — in short everything which can be concisely defined as **professionalism**" [Ianovskii, 1986, p. 51. A party ideologist derided the young **Marx's** vision of transcending the social division of labour as tantamount to an attempt to "destroy the individual personality" and called instead for the dissemination of a "lofty professionalism" as the only reliable road to maximum productivity [Tsypko, 1989]. This veneration of professionalism reflects the cohering class consciousness of the activist vanguard of cadre of upwardly mobile elites seeking a rejuvenation of the political class. Professionalism can serve as the crusading creed of those politically conscious segments of a dominant class which has undergone a thorough internal functional realignment while becoming largely self-regenerating and attaining elite status through regularized institutional channels. These insurgent elites share a common political profile moulded in the crucible of what one Soviet sociologist terms the "prestige" colleges [Rutkevich, 1986, p. 161. The positive side of this cosmopolitanism within the Soviet dominant class was evident in the remark of a neo-liberal spurning the tribalist appeals of the right with the response that he "had more in common with a Kazakh, English or Jewish intellectual than an ethnic Russian bureaucrat" [Sevastianov, 1988]. The negative side is a pretentious gentility which utopianizes the pre-revolutionary past in mourning the waning of "deference towards educated individuals" and the "weakening of the church" as an instrument of social control [Ryvkina, 1989, pp. 30-31].

The ultimate aim of the neo-liberal campaign is to rehabilitate social inequality as a permanent rather than transitory feature of a "normal" society, and make egalitarian aspirations seem perverse or quixotic. An internal government document submitted to Gorbachev by neo-liberal advisors in early 1990 conceded that the postulation of an eventual equal distribution of power in the official ideology had skewed popular aspirations in the direction of a "society contaminated by an egalitarian psychology and the aggressive rejection of all manifestations of individualism, independence, personal initiative, and the successes which are bound up with this" ["Political Note", 1990]. Neo-liberal apprehensions about the political immaturity of the Soviet people mask their realization that economic restructuring for the vast majority of the Soviet people will result in the substitution of one form of domination and exploitation for another probably more onerous at least in the short run. The dissemination of an aggressive possessive individualism and other de-solidarizing strategies are designed both to unite receptive strata of the dominant class around a vindictive programme and fragment potential working class opposition by appealing to younger workers who can take advantage

of the opportunities for self-reliance and individual advancement under the new system. The new inequality could thus become the ideology of a managerial revolution which legitimates itself as a hierarchy of competence certified by academic credentials and meritocratic promotion.

IV. Social Policy

The outlines of the ideal polity of the neo-liberals are adumbrated in their diagnosis of the current crisis and their prescriptions for dealing with it. The neo-liberal project is to Brezhnevism what Thatcherism was to Butskellism: a radical uncompromising assault on the social contract which underpinned the demobilized political consensus of the old regime. Zaslavskaja identified the main drag on the Soviet economy as an overly generous welfare state which was built up over the past three decades. A battery of welfare entitlements had resulted in the "slackening of administrative and economic compulsion for energetic labor in social production" [Zaslavskaja, 1986, pp. 62-63]. A sellers' market for labour had fostered the rise of a "system of *paid* protection for the individual which allows many to live "tolerably without exerting themselves too much. . . and obtaining additional income from the black market". In the neo-liberal view, the laudable social welfare achievements of the statist system have been transformed into fetters because an overly indulged working class is no longer being policed and disciplined by basic economic deprivations. Dzarasov complained that the Soviet system lacked the arsenal of economic whips needed to stimulate gainful labour because "nobody sleeps under a bridge" in this country and there was no "polarization of property" as in the West [Dzarasov, 1988]. The gist of the neo-liberal critique is that the Brezhnev government went too far too fast in freeing the Soviet people from the precariousness of modern industrial existence.

As a remedy to stagnation, Zaslavskaja proposed the strengthening of work incentives to restore a "personal interest in hard efficient labour" [Zaslavskaja, 1986, pp. 62-63]. A social wage judged overly generous had to be pared down to a basic subsistence minimum where consumption above this level would be entirely dependent on personal disposable income. Critics of an "overloaded" welfare state target what they describe as an excessively high minimum wage, a make-work job structure, huge social welfare subsidies, and a broad range of unpaid social services [Bim and Shakin, 1986, p. 65]. Popov alleged that the present one-third of earned income being channelled into the social wage, was undercutting the productive incentive of the most dynamic strata of the population, and the Soviet people must be made to realize that the "social consumption fund is not synonymous with

communist distribution. . . nor an indication of proximity to communism" [Popov, 1987, p. 781. The neo-liberals are right to charge that regressive financing of social services through indirect taxation and the prevalence of informal hierarchically determined access, combine to ensure that 80 percent of total food subsidies goes to the top 20 percent of the population [Kiselev, 1990, p. 611. But their proposed solution is to end all food subsidies and allow prices in a situation of massive pent-up demand to skyrocket. Fixed state prices on basic goods provided the "sole anchor" of the old economic mechanism ensuring at least that the roughly eighty million Soviet citizens living at or below the minimum subsistence level did not go hungry [S. Nikitin, 1990, p. 131.

Zaslavskaja was the first to publicly urge the state to adopt a social policy founded on the recognition of the existence of politically conscious "classes" and "professional categories of employees" with frequently conflicting interests [Zaslavskaja, 1986, p. 621. This belated acknowledgement of social heterogeneity is prompted by an awareness of the structurally induced slowing growth rate which will make it impossible for the state to continue raising living standards across the board as it has done since the mid-sixties. As a result of the budgetary squeeze, the state can no longer afford to pursue the "aim of an equivalent increase of the measure of satisfaction of all elements of the social superstructure". The Gorbachev government had to learn that it is a discriminating differential distribution of material benefits which "makes a social policy a social policy", and the state must choose the prime beneficiaries.

Zaslavskaja declared that the first test of the Gorbachev government's reformist mettle would be a "reordering of the wage structure which was radical in principle" [Zaslavskaja, 1986, p. 621. Industrial workers were told to brace themselves for the restoration of "deep" wage differentials to reverse two decades of levelling [Sapritsiants, 1987, p. 971. Only a decade ago, the dean of Soviet sociology was extolling the "convergence" of the wages of the intelligentsia and industrial workers as proof of the nation's inexorable advance towards a classless society [Rutkevich, 1977, pp. 79-80]. Today, he is citing the same figures to indict a twenty year pattern of discrimination against the "socio-professional groups" [Rutkevich, 1986, p. 171. A new wage policy free from the encumbrances of a progressive income tax would be used to distill out of the professional-managerial strata the "new entrepreneurs" who are ready to ride the wave of the informatics revolution [A manager cited in "Editorial", 19881. The core of the neo-liberal project is a Stolypin wager that a status revolution bringing power and remuneration into line with demonstrated talent, will propel the Soviet Union into a new technological age.

Shmeliov declares that the current debate around social policy turns on the question of what role should be afforded to the acquisitive instincts, i.e., "the striving of the enterprising and energetic individual for personal success" within the framework of the new economic mechanism [Shmeliov, 1989, p. 1471. Greed has become the opiate of most would-be tribunes of the **professional-managerial** strata because the market appeals to the "real living individual and their natural interests" while socialism addresses only the "idealized individual" [Levikov, 1988]. The advent of a highly stratified consumer society is prescribed as the only practical means of dynamizing a stagnant economy.

Greater wage differentials and the dissemination of an ideology of possessive individualism is also designed to break down troublesome informal group solidarities standing in the way of an optimalist economic rationality and thereby leave the individual worker less capable of resisting the "**manipulation**" of management [Rakitskii, 1988, pp. 5-9]. The object is to shatter the levelling dynamic and sever the power linkages between the right and the unskilled strata of the working class coopted into its political base.

V. Unemployment

An important **rubicon** of neo-liberal economic reform will be the Soviet government's embrace of the principle expounded by Shatalin that "socialism is not philanthropy automatically guaranteeing everyone employment irrespective of his or her ability to do the job" [Shatalin, 1986, p. 63]. Liberals in Hungary and Poland have long advocated the introduction of a competitive labour market because it would subject the working class to the supremely effective disciplinary force of impersonal economic coercion and provide the perfect lubricant for a decentralized new economic mechanism. However in the Soviet Union, the subject of a wholesome dose of permanent unemployment was raised only once in the press during the Brezhnev era. In the midst of a zero-growth slump in 1980, Gavriil Popov proposed that "we must limit the right to work" to allow greater managerial flexibility and provide a spur to individual productivity [Popov, 1980]. But the suggestion was ignored by the government and sparked no public discussion. Considering the severity of the crisis, the unwillingness of the Brezhnev leadership to permit at least some academic debate, indicates just how important the government believed the full employment pledge was to the established political consensus.

The enshrinement of the full employment principle in the Soviet Union issues from a cooptive corporatist social contract and the lack of any stimulus to the intelligent use of labour power. Despite being

rooted in an enormous waste of human and material resources, the official commitment to full employment in the Soviet heartland underpins a battery of informal defensive adaptations of Soviet workers to a system which grants them job security in exchange for political passivity. Glasnost has now enabled the neo-liberals to press Gorbachev openly to prepare the country psychologically and institutionally for the impending redundancy of "millions of low-skilled workers" [Zaslavskaja, 1986, p. 70]. The more honest admit that the minimum 15-16 million slated to lose their jobs, will not easily be integrated back into a stunted service sector [Zaslavskaja, 1987]. By early summer 1987, Shmeliov was railing against the "economic damage caused by a parasitic confidence in guaranteed jobs" [Shmeliov, 1987, pp. 148-149]. The leading Soviet monetarist economist blamed "excessive full employment" for a host of social ills ranging from poor labour discipline to low production quality and the scourge of alcoholism. Shmeliov urged the government to consider the manifold therapeutic advantages of a "natural level of unemployment" and a "comparatively small reserve army of labor", could bring to a socialist political economy. By his calculations, roughly 25 percent of the labour force or more than 30 million workers are potentially redundant [Shmeliov, 1990]. Another neo-liberal economist estimated that "over-full employment" was directly responsible for labour productivity being 30 percent lower than it would otherwise be in an economy which used joblessness to prod greater output [Malmygin, 1990, p. 49]. Many managers have eagerly welcomed the broadening of their prerogatives in the areas of firing and lay-offs because the "whip of unemployment" would increase their leverage over the work force [Shirokov, 1989].

A significant level of concealed unemployment particularly among minorities has always existed in the Soviet Union. Reliable estimates put the current jobless rate at 6-10 million (5-8 percent of the workforce) concentrated for the most part in the Central Asian republics [Zaslavskii, 1990, p. 8]. The real issue at stake in this controversy is whether a "natural" level of unemployment should be accepted as an official instrument of state economic policy? In any economic restructuring, the hardest hit will be the 45 million workers (two-thirds of whom are women) now employed in low-productivity manual occupations who stand a good chance without remedial measures of falling permanently into the "peripheral strata" of a new segmented labour force [Penkin, 1990, p. 89]. Zaslavskaja frankly expresses her approval of such a development which would place the whole of the working class in "harsher economic and social conditions" imposed by fierce labour market competition, the difficulty of obtaining

retraining, the fear of demotion, and the loss of social status [Zaslavskaja, 1989, p. 2321.

Many neo-liberals echo Friedrich von **Hayek's** demand for the complete extirpation of what he deemed natural but self-defeating human propensities towards cooperative solidarity and democratic participation [**Kara-Murza**, 1990, p. 461. By this reasoning, the notion of social justice is proscribed as incompatible with the efficient operation of the free market and the exercise of individual freedom. The object of this ideological offensive is to subvert incrementally or frontally the social wage whose tenacious normative supports are woven deeply into the popular political consciousness. This would result in the disaggregation of the working class into the more ambitious younger segments of the labour force and the older strata inured to what the dean of Yugoslav neo-liberals calls the "radical egalitarian value matrix" [**Zupanov**, 1983, p. 131. The neo-liberals are bent upon abolishing the de facto veto power of the official trade unions over state economic policy as it is incorporated into the Brezhnevian social contract by eliminating a labour shortage which enables workers informally to "dictate" better wages and benefits than they deserve by a strict optimalist accounting [**Popov**, 1980]. As in their polemics against welfare state coddling, the neo-liberals are motivated by a de-integrative anti-collectivism aimed at atomizing the working class and stripping individuals of group protection by placing them in an economic situation where they cannot afford to keep faith with each other. The acceptance of chronic mass unemployment as a constituent element of a restructured economic mechanism would serve at best to fragment Soviet society into an economically polarized "Two-Thirds society" along the lines of Western neo-liberal capitalisms [Sabov, 1990]. A society where "the ruble must be placed at the centre of everything" would be most amenable to the rationalizing initiatives and discipline of modernizing professional-managerial strata whose ascent is championed by the neo-liberals [Shmeliov, 1989, p. 1301.

VI. Working Class Integration and Self-Management

Most neo-liberals demonstratively drew the boundaries of democratizing reform at the modest government-sanctioned experiments intended to introduce some measure of industrial democracy into the enterprises. One survey revealed that 79 percent of managers would welcome administrative decentralization but an even larger number interpreted the notion of economic democratization entirely in terms of a "stiffening of discipline" in production [Torkanovskii, 1988, p. 52]. One factory administrator complained in an interview that "musicians are not elected by ballot", and

equally precious managerial talent should not be subjected to the caprices of an electoral campaign [Editorial, 1987]. Neo-liberal academics have sprung to the defence of enterprise directors wary of self-management constraints in asserting that "professionalism and the personal qualities required by a manager, will have difficulty winning a majority vote" [Sokolova and Manuilskii, 1988, p. 251. Popov spelled out the real issues at stake in this dispute when he wrote that the self-management principle interpreted too broadly, could lead to a "Fourierism" in the factories and the advent of a new age of "mediocrity" [Popov, 1988, p. 1081. Fourierism is a standard coded allusion to the concern prevalent among managerial cadre that the workers were taking the self-management provisions in the Gorbachev enterprise legislation far more seriously than its authors originally intended. The neo-liberal economist wanted industrial democracy limited to a pacifying pseudo-participation which can cool out the tensions arising from a painful transition to a new political economy. Popov and his colleagues feared that a continuation of these early trends on the shopfloor could lead to a substantive production democracy being constituted spontaneously from below which would prevent the most capable managers within the Soviet elite from taking charge of a reindustrializing economy. These first scattered stirrings towards the self-empowerment of the labour force sent neo-liberals in search of alternative means of incorporating the working class into the reform coalition as loyal but fully subordinate partners.

The neo-liberals are seeking to overcome working class resistance by offering marketizing reform in conjunction with self-management narrowly defined as employee stock ownership. Aganbegian acknowledges that the Gorbachev Perestroika would "vanish into oblivion" like all previous reform bids if the government fails to win the committed support of a large segment of the working class [Aganbegian, 1988, p. 51. But the only incentive offered to his trade union audience was employee stock ownership and profit sharing, which he promised would play a central role in the second stage of reform. One manager who pioneered this form of worker inclusion groused that it was virtually impossible to fire workers under the old system because the trade union local would come automatically to their defence [Nikitin, 1988]. The beauty of the new shareholding system in the eyes of its neo-liberal sponsors was that it pitted the more industrious segments of the workforce against the slackers "together with management in a battle for democracy and high quality". The neo-liberals are trumpeting this "direct participation of the workers and the engineers in the income of the enterprise as one step towards a realistic socialism". But this Realistic Socialism is obviously designed to shield an administrative monopoly of control

over the enterprise surplus from the encroachment of factory councils and restrict self-management to "only one right for the workers — the right to make a dividend" if the firm turns a profit [Vavilov, 1988]. One radical economist complained that this pseudo-participation amounted to nothing more than workers being compelled to make a risky involuntary loan to their enterprise management without any real change in the basic power relations within the factory. Not surprisingly, surveys consistently reveal that no more than 6-8 percent of the working class are prepared to purchase stock in their own enterprises as compared with one-third of managerial personnel [Melikian, 1990b]. Many neo-liberals have responded to this shopfloor resistance to their transparent designs to insulate managerial prerogatives by calling on the Gorbachev government to introduce these measures "through force" if necessary [Popov, 1990a].

Aleksei Kiva warned neo-liberal intellectuals against their habitually "scornful if not contemptuous view of the working class as inert, amorphous, and servile executors of the will of the apparatus" [Kiva, 1990a, p. 202]. This arrogance is most apparent in an alliance strategy which apart from some obvious feints, largely ignores the political significance of the "roughly 75 percent of the employed population who are not property owners but workers on the staff of large enterprises, firms, scientific organizations, the government apparatus etc." [Abalkin, 1990]. The belief that only an "emancipated capital" can become the demiurge of economic rationalization, has caused many neo-liberal strategists to give short shrift to the crucial problem of how to incorporate non-entrepreneurial strata into a cohesive new growth coalition [Seliunin, 1990, p. 202]. Iaroshenko expressed the hope that the eventual pluralization of Soviet society into a welter of ethnic, cultural, sport, and other private civic organizations would become the "mortal foe of a society of economic and political monopolies where the individual is a member of the work collective and thus also of the trade union, communist party, Komsomol, queues for housing and a car and so on" [Iaroshenko, 1990, p. 141]. The submergence of long predominant "Production divisions" in a splintered social identity could then be relied upon to check the rise of a powerful cohesive labour movement. The national model once again is Poland where the socially atomizing effects of shock therapy are said to have induced workers to "tie their fate no longer entirely to the success of the trade unions", and thereby eliminate the working class as a collective political actor [Aleksashenko, 1990, p. 181].

Neo-liberal dogma canonizing private property is directed not against a bankrupt neo-Stalinist conception of state property but to

preempt the exploration of any possible intermediary forms lying between private and state ownership [Bugaj, 1990]. Many neo-liberals were anxious to shift all the blame for the disastrous repercussions of market decentralization onto the first tentative experiments in industrial democracy which are held responsible for the breakdown of administrative coordination and worsening disproportions in the economy [Berger, 1990]. At most, neo-liberals suggest that worker participation in management may be broadened to include some representation on the board of directors of individual firms [Grigoriev, 1990]. But factory collectives should under no circumstances be given any voice in deciding such critical issues as the selection of the production programme, prices, investments, or loans. The main fear is that an institutionalized worker majority in self-managed firms would mindlessly veto any technological innovations which threatened to trade off increased productivity for a reduction of the labour force. By opposing worker self-management, the neo-liberals are trying to limit the Perestroika to a managerial revolution which replaces the administrative monopoly of the apparatus with a new administrative monopoly of profit-oriented technocrats. This academic dispute could take on real urgency somewhere down the line because the latest comprehensive surveys of shopfloor opinion reveal that even after the first disappointing experiments in industrial democracy, a larger majority now supports at least some worker input into the running of the enterprise (30 percent) or complete authority in key decision-making (57 percent) [Melnikov and Kvasnikova, 1990, p. 381.

V. Neo-Liberal *Economics*

Most neo-liberals no longer camouflage their desire to move the Soviet Union into the "rapids of a capitalist or, more precisely, a normal society" [Ambartsumov, 1990, p. 391]. Much of the neo-liberal polemic still evokes the utopian imagery of an anarcho-capitalism replacing politics with omniscient markets which would naturally appeal to people who have known only the oppression of an authoritarian statism and not the impersonal cruelty of the market. This sentiment was exemplified by the remark of a group of neo-liberal economists that the "power of money over people is more expedient and moral than the tyranny of a bureaucrat interposing himself between the manufacturer and consumer, and usurping the right to determine what the former should produce and the latter consume" [Medvedev et al. 1990, p. 631]. Hayek has become the "idol" of market economists seeking an antithesis to the status quo rather than an alternative while the remainder put Friedman on a pedestal for his success in orchestrating the "stabilization of the American

economy and the celebrated Reaganomics which enabled the United States to overcome its serious economic difficulties, lessen inflation, and strengthen the dollar" [Sogrin, 1990; Popov, 1989, p. 140]. A first-class economist like Popov is obviously being disingenuous in presenting Reaganite Military Keynesianism as evidence of the efficacy of neo-liberal economics but references to Reaganism and Thatcherism in Soviet political discourse actually serve as convenient coded metaphors rather than a summons to borrow literally from their examples. For all their propagandistic salutations to the market, Soviet neo-liberals remain vague in their technical writings about the type of market that the Soviet Union should move towards: competitive, monopoly, oligopoly, or monopsonistic. Moreover, they studiously evade the fact that the "market can embody the most disparate economic power relations" and never spell out their conception of what the optimal correlation might be [Bogachev, 1990, p. 191. Aleksandr Zinoviev, went further and charged that the refusal of Soviet specialists to offer a realistic analysis of the market confirmed his suspicion that the "idea of the market plays less an economic role than an ideological or political one" in combatting the right [Zinoviev, 1990]. The emigre novelist voiced grave doubts about the feasibility of reform programmes based upon the projections of parrots who had quickly mastered new words rather than scholars who had undergone a carefully considered change of heart.

In their academic articles, the top neo-liberal economists share with the rest of the Perestroika coalition a recognition that the post-Stalinist Soviet economy will remain predominantly oligopolistic and even monopolistic in its overall structure. Popov envisages the winnowing process of the socialist market eventually yielding a rationalized "centralism of the oligopolistic type" [Popov, 1987, pp. 62-63]. The Moscow University academic compared the operation of this multi-sector economy to Joan Robinson's notion of "imperfect competition" in which the oligopolistic primary sector of the economy would serve as the intermediary between the secondary sector and the market. The neo-liberal economist has in mind a future Soviet industrial system which strongly resembles the Japanese model with a primary sector of large conglomerates flanked by a secondary sector of small and medium-sized firms. Popov brushed aside the more naive anarcho-liberal celebrations of the market to single out Japan as the country which has proven itself most capable of adapting to the scientific-industrial revolution through its "mighty bloc of centralized influences". Popov agreed that a broader role for the market will be essential for easing deficits in the consumer and service sectors but market forces alone could not serve as the "longterm foundation of the powerful economic leap of a great power at the end

of the century". The Soviet state must try to emulate the Japanese developmental model in using the "power and might of the centre for the acceleration of technological reconstruction". Neo-liberals may be loudly demanding the "elimination of arbitrary central intervention" but they are also discreetly reaffirming that the "state is the instrument of accelerated development" whose macro-economic co-ordinating activity is integral to the survival of the Soviet Union as a great power. All major factions of the Soviet power elite are in accord that the omniscient modernizing state of the thirties is obsolete in an advanced industrial economy. From an overextended command centre, the state would be redeployed into a "strategic organ of scientific-technical progress", the patron and defender of emerging motor branches against vested **sectoral** interests [Popov, 1988a]. Despite their polemical wrangling, all the major ideological contenders for power in a post-Stalinist Soviet Union share the conviction that restructured Soviet economy must be driven by large oligopolistic firms under state macro-economic guidance with a low level of military spending.

The much vaunted "500 Days" programme authored by Stanislav Shatalin and a group of neo-liberal economists during the Summer of 1990 has been properly described as a "manifesto for the complete capitalization" of the Soviet Union but it was obviously never designed to provide operational guidelines for reform [Kurashvili, 1990, p. 171]. The best proof of the logical incoherence of the crash marketization manifesto was Shatalin's impromptu decision to appropriate unaltered the social welfare provisions of the much reviled government programme and tack it onto his own when the 500 Days package came under attack in the Soviet parliament for its obliviousness to such concerns [Bushkevich, 1990]. Even some **neo-liberal** economists were dismayed that the preposterous timetable drawn up for the privatization of state property bore all the earmarks of the spurious Brezhnevian "campaign" style which augured that the momentum behind the drive would soon wane after the sponsoring power elite faction had realized its ulterior objectives [Anulova, 1990]. Shatalinomics only made sense if its original rationale was political and not economic.

The most avid neo-liberals have been warning all along against the "illusion of a soft landing" during the transition to a capitalist market economy [Pinsker, 1990]. The leading theorist of the Russian Christian Democratic Party, Boris Pinsker, stressed that the "synonym of a soft landing is the long coexistence of the two economic systems and the two hierarchies of economic and political authority: a competitive market and a party-administrative system". Economic dualism would thus perpetuate a political dualism, and

compel the neo-liberals to share power with establishment elites whose authority is grounded in the state sector. The debate over the 500 Days programme took place against the background of a massive wave of old-line ministries and state industries privatizing their own assets and retaining control firmly in the hands of the old nomenklatura [Bobrovski, 1990b]. The greatest fear of the neo-liberals is that the "old nomenklatura will set itself up comfortably" in the new state-regulated market economy with most of the old apparatchiki acquiring ownership of privatized government assets and the rest running the state regulatory agencies [Shifrin, 1990]. The 500 Days Programme would have decentralized legal control of these assets to the various republican legislatures and consequently preempted this wave of what the neo-liberals rather incongruously term neo-Bolshevism or the controlled metamorphosis of state functionaries into "capitalists" [Karpinskii, 1990]. The shock therapy was ostensibly designed to usher in an economy of perfect competition without which all reform efforts were said to be futile. But the real aim was to sever all the vital power linkages within the nomenklatura economy. Soviet neo-liberals expect that a wave of bankruptcies would expedite the transfer of state assets into private hands. Like many Eastern European neo-liberals advocating a *politique du pire*, they anticipate that the collapse of the economy into a chaotic shambles resembling War Communism will facilitate a "great leap into privatization", in much the same way the Bolsheviks supposedly attempted a leap into communism [Bugaj, 1990].

The controversy surrounding the 500 Days programme was also a political offensive by parliamentary neo-liberals striving to take advantage of growing popular discontent with the Gorbachev government. The champions of the "500 Days" programme were intent upon forcing Gorbachev to abandon his preferred mediating role between the emerging Third Estate and the metamorphosing nomenklatura, and commit his presidential authority unequivocally to their hidden agenda. Yeltsin believed his leverage over Gorbachev during the Summer of 1990 was sufficient at least to put on the table the demand that a new government be selected on a "parity basis" with himself choosing half of the ministers including the prime minister [Yeltsin, 1990]. This would effectively have reduced Gorbachev to a latter-day **Ramsay MacDonald** presiding as a figure-head over an aggressively neo-liberal government. For the past three years, Gorbachev has been trying to forge a Berlinguer-like left-centre Historical Compromise which would prevent the bipolarization of the country into antagonistic camps and above all preclude the formation of a reactionary centre-right bloc. Gorbachev's acquiescence to the neo-liberals would have derailed the attempt of the party modernizers

to edge the reform process towards a neo-corporatist solution which entails an institutionalized incomes policy and tripartite negotiations between the government, managers, and organized labour. One of the authors of the 500 Days Plan complained that "the interference of politicians in the business of economists has reached such a scale that the plans of economists cannot be translated into reality" [Grigorii Iavlinskii cited in Rytov, 1990]. Only a shock therapy in the view of Iavlinskii could make a neo-liberal programme politician-proof or, more accurately, democracy-proof. The real object of the Shatalin Plan was to preempt the emergence of other social partners becoming represented in the formulation of economic policy. The authors of the crash marketization programme never intended to remove the state from the economy but rather ensure that its essential regulatory role would be entirely subordinate to neo-liberal control because their reform strategy was not amenable to compromise.

The advocates of a shock therapy subscribe to Hayek's categorical rejection of gradualist reform strategies which would give opposition forces time to regroup, and eventually soften or even reverse a punishing deflationary programme. The massive unemployment brought on by shock therapy would not only ease budgetary pressures but also atomize potential working class resistance to a neo-liberal restructuring. The assumption is that when faced with the imminent threat of joblessness, "most of the working class will avoid trade union struggles and arrive at a deal with entrepreneurs including feudal collective contracts or black market contracts" [Kara-Murza, 1990, p. 471]. The more candid architects of the 500 Days Programme dispense with the soothing public rhetoric in articles addressed to elite audiences, and assert that the Soviet Union must "pass through a stage of primitive capital accumulation with all its social consequences" [Iasin, 1990, p. 111]. The underlying premise is that the Soviet government should create a political economy where the incentives for capital accumulation are completely unencumbered by such "socialist" restrictions as a progressive income tax and child labour laws. Soviet neo-liberals are beguiling their audiences with the imagery of an advanced industrial capitalism while refraining from divulging that this ideal cannot be achieved without first passing through the historical antechamber of "classical capitalism" with all its privations for the vast majority and the loss of the modest social welfare achievements of the old regime [Kurashvili, 1990b, p. 171].

The preliminary aim of privatization is to create a broad stratum of people with a proprietary stake in a new economic order. Out of these first beneficiaries of the de-nationalization of state property will eventually be distilled "responsible competing capitalists" who can push aside inept nomenklaturshchiki seeking to reconstitute their

social power on a new economic foundation [Radzikhovskii, 1990]. The technical variant of privatization incorporated into the Shatalin Plan was designed to give away for free the absolute minimum of state assets while selling the rest as dearly as possible [Melikian, 1990a]. The secondary aims of this approach were to soak up excess disposable income and bring goods hoarded as insurance in enterprise inventories onto the market. But the paramount objective was to "create real owners who will invest their resources in the enterprises". If fully implemented, the Shatalin Plan would have transformed the Soviet economy into three sectors with the first two comprising a rationalized state sector and a realm reserved to private enterprise [Artsishevskii, 1990]. The crucial growth sector would be a third joint venture sphere combining state participation with private and/or foreign capital.

When originally fleshing out his grand vision of the 500 Days Programme, Mikhail Bocharov mentions almost in passing that the government in the third stage will permit a "deep recession in the basic branches of the economy" lasting no more than 150 days [Bocharov, 1990]. Like other neo-liberals, the parliamentarian omitted even the most general prognosis of the social costs of this economic surgery. It was first left to conservative economists to float entirely plausible estimates that average purchasing power would shrink by 42-50 percent with workers in the state sector taking the brunt of the recession [Shchipantsev, 1990]. But subsequent parliamentary discussions have forced neo-liberal theorists to put some of their cards on the table. Bogomolov for the first time gave a hint of the neo-liberal estimates of the cost of a deflationary shock when he urged that the government ensure that the average decline in purchasing power would in no case exceed 25 percent [Bogomolov, 1990b]. Estimates of the possible unemployment level have ranged from 15-40 million (11 to 31 percent of the labour force) depending on how stringently a tight fiscal policy is enforced. At the outset, the new autonomous trade unions in the mining industry had been among the most enthusiastic boosters of the 500 Days Programme. But this was before the disclosure that the immediate cut-off of subsidies to the coal industry would result in the shutdown of 120 pits [Shprygin, 1990]. Neo-liberals observed sarcastically how miners' organizations which had only yesterday been calling for the immediate introduction of market relations, now did a complete turnabout in demanding continued state subventions and guaranteed supplies [Zhagel, 1990]. A union leader admitted that his membership "had begun to waver" after the neo-liberals finally spelled out the social consequences of their programme and the magnitude of the jobs reduction which would follow [Azarovskii, 1990]. When the time finally came to

approve the 500 Days Plan in parliament, even the most radical deputies displayed what was charitably described as a "certain lack of resolve", and the chamber finally abdicated responsibility for drawing up the transition strategy to Gorbachev [Abdulleev, 1990].

The most vulnerable aspect of the 500 Days Programme was its gratuitous assumption that market relations will spring up automatically as soon as the existing administrative networks are annihilated [Danilov-Danilian, 1990]. Among others, Bogomolov has drawn the lesson from the Polish experience that a shock therapy will result in a cascading collapse of production and the branches suffering the most will be those in essential consumer branches [Bogomolov, 1990c]. Even some neo-liberals are warning that a shock therapy in the fragile Soviet economy would only lead to the complete breakdown of all remaining supply and sales linkages, precipitate more production stoppages, and foment a backlashing popular demand for the return of dirigistic compulsion. The main danger posed by a shock therapy is the economy finally bottoming out at a dangerously low level following a "long depression" caused by an uncontrolled deflationary vicious circle of collapsing demand and cuts in production [Belousov and Klepach, 1990, p. 24]. Others warn that the overriding priority given to fiscal stabilization by a halving of total state investment, would lead not only to mass unemployment but the closing of loss-making enterprises which produce goods vital to the economy [Piiasheva, 1990b]. If the reform government was serious about effecting fundamental structural shifts in the economy, it would have to transfer investment to growth branches, especially the consumer goods and service sectors, to absorb the unemployed created by the scaling back of the basic industries [Penkin, 1990, p. 88]. The monetarist strategy of slashing the budget deficit at any price, ignores the need to set in place an active labour policy and stable anti-inflationary mechanisms during the transition. By implication, the neo-liberals seem set to rely upon the only other means of checking inflation: **longterm** mass unemployment.

The other tacit premise of the neo-liberal transition strategy is a "reliance on God's holy help or more precisely the import of foreign capital" [Belousov and Klepach, 1990, p. 24]. Maidanik scorned those neo-liberals who "were striving with the passion (and naivete) of neophytes to get into the First World" [Maidanik, 1990, p. 88]. The political scientist in particular criticized them for approaching the transnational financial institutions of the North as if they were benevolent "socialist" entities and not coldly calculating capitalist concerns quite ready to preside over the "Latin-Americanization of yesterday's second world". Another Soviet academic cited Immanuel Wallerstein's admonition that countries seeking to enter the

international division of labour, will have their **longterm** fate determined far more by what they are able to export rather than what they can import or produce for the domestic market [Usmanov, 1990, p. 1431. In the view of Sergei Usmanov, the intellectual poverty of Soviet neo-liberalism is most glaringly on display in its omnibus response to the tough technical questions of the economic transition with vapid assurances that "the West will help us" or "only the West can save the Perestroika". The neo-liberals assure their audiences that the hardships of the privatizing transition can be alleviated by the largescale import of consumer goods financed by foreign credit to offset domestic shortages [V. Popov, 1990, p. 361. But the resulting foreign indebtedness would also irrevocably box the Soviet Union into an IMF austerity programme and a domestic fiscal policy favouring a neo-liberal growth strategy and the ratcheting of capitalism into the national economy.

The more serious neo-liberal economists have been trying to restrain the romantic enthusiasms of some members of their camp by pointing to global experience which indicates that a maximum of 10 percent level of annual privatization is the optimal rate [Veger, 1990, p. 231. This ceiling meant that there was no chance of cutting the size of the state sector to a "civilized" 30-40 percent of production in two or three years as many proposed [Anulova, 1990]. Aleksandr Nekipelov sought to dispel the prevalent "illusion" that the private sector would rapidly become the motor force of the economy because even under the best of circumstances, the entrepreneurial sphere would remain dependent on the state sector for the next 15-20 years [Nekipelov, 1990]. Others were dubious about the feasibility of attempting to implement a far-reaching privatization in a situation of explosive political instability and the almost complete absence of reliable market ties [Danilov-Danilian et al. 1990]. Belousov and Klepach were certain that private enterprise in a chaotic unbalanced economy would naturally gravitate not towards productive activity but the speculative realm of "trade intermediation and deals with fictive capital" or stockjobbing [Belousov and Klepach, 1990, p. 271. It was most likely that the primary beneficiaries of a crash **marketization** would be well-connected basic industries who have virtually insuperable competitive advantages over the consumer-oriented branches which would be again relegated to the status of "outsider" [Galparin and Ursov, 1990]. The market would dictate that development follows the path of least resistance. In an unbalanced economy, this would place a premium on the continued expansion of energy and raw materials branches to keep pace with increasing waste in the domestic economy and the exportability of their product [Belousov, p. 231.

Iasin conceded that a shock therapy would lead to unprecedented levels of unemployment lasting at least one to two years, and this policy could only be sustained by a government which enjoys phenomenal popular support or a "harsh dictatorship" [Iasin, 1990, p. 141. Maidanik speculates that the most realistic neo-liberals are those who publicly endorse the need for a return to capitalism "along a peripheral authoritarian course in declaring their liking for the Pinochets of this world" [Maidanik, 1990, p. 881. Some neo-liberals frustrated by Gorbachev's reluctance to crack down hard on social disorder, contend that Western capital would actually welcome a military coup and this would facilitate the influx of foreign investment [Sokolov, 1990]. They see in a badly divided Soviet military a stratum of younger modernizing elements blooded in Afghanistan which seek to establish a "well-equipped and trained army of professionals", and therefore would be willing to preside benignly over an authoritarian variant of marketization as the only means to this end. These economic liberals regard political democracy as an obstacle to recapitalization at this stage, and point to a world experience which purportedly demonstrates that the smoothest transitions from a "socialized economy" were carried out under the auspices of a military regime as in Greece, South Korea, and Chile. No parliament can protect new property owners from the "class hatred of lumpenized mobs". Only the army could safeguard the "creation of new property owners in defending their property by military force from the vicissitudes of the transition period". Popov gave his own imprimatur to this neo-liberalism at gunpoint when he declared that capitalism could best be introduced into the Soviet Union by an enlightened authoritarianism closely resembling the postwar American occupation regime in Japan which dismantled the Zaibatsu and cultivated the necessary preconditions for the introduction of democracy [Popov, 1990a]. Bogomolov also alluded directly to the Chilean "variant of a market without **democracy**" as a successful method of administering neo-liberal medicine [Bogomolov, 1990b]. The academic warned that tough market reforms created an explosive juxtaposition between elite reformers and the working class majority because the old regime satisfied the basic needs of the people even if it was at a very elementary level. The social costs of deflation were likely to stir up widespread resentment among a people unused to the impersonal hardships of a capitalist economy, and this could only be overcome by an "inevitable concentration of power and anew curtailment of democracy". Bogomolov gave assurances that this resort to "authoritarianism is only a problem of the transitional period and not a permanent alternative" but he left no doubt that the neo-liberals would look to modernizing praetorians as their insurance policy in the

event economic reform triggered widespread popular resistance. Kiva blamed the neo-liberals for harming their own cause by trying to "dictate to the people something that they were not ready to accept" [Kiva, 1990d]. But instead of looking to intelligent generals, he urged neo-liberals to throw their support to a plebiscitary form of rule being sought by Gorbachev in late 1990 as the best hope for the transition to a market economy. The historian reasoned that the country was not yet sufficiently mature for democracy, and could not escape an "authoritarian stage". But he sought to ensure that Gorbachev becomes the enlightened despot who could engineer the integration of new alignments of interests and power into a viable developmental bloc. Kiva wanted party modernizers to continue serving as the "intermediaries between the declining and ascending social forces" in averting any frontal clashes. But the disintegration of the **command-administrative** system and the resulting diffusion of power raises the question of whether there actually does exist in the Soviet Union any political force with the effective authority to carry through such profound and complex reforms across this vast country in so short a period [Guerra, 1990].

VIII. Conclusion

Most analyses of the Perestroika share a common perception of the neo-liberals as the cutting edge of an all-conquering commercial advance which will enable capitalist influences to permeate and fundamentally transform Soviet society. These gloomy assessments on the part of radicals may seem worldly-wise and warranted in light of the destructive and creative chaos unleashed by the reform process and the setbacks suffered by the international left over the past decade. The principal aim of my analysis of Soviet neo-liberalism was to show why this anticipation of an inexorable recapitalization of the Soviet Union is the product of a facile pessimism every bit as unjustified as a shallow optimism. A post-Stalinist Soviet Union faces the immense task of not only transforming anachronistic political institutions but also inventing an economy capable of sustaining intensive growth [Shevtsova, 1990c]. The chief cause of the current social unrest and political drift is the struggle for power within the power elite after the dissolution of the Brezhnevite coalition, and this instability will continue until these battles are resolved. This power struggle is driven not just by petty factional wrangling but the broader process of class formation. The ongoing metamorphosis of state cadre and the emergence of new entrepreneurial elites promises to be a long, difficult, and tumultuous process. The success of the Perestroika from above will hinge on the ability of these elites to build a consensual political framework and weld together a cohesive growth coalition

capable of acting through these new institutions. The least likely scenario at present would be that of any single factional combatant achieving sufficient political leverage to be able to carry through the Perestroika strictly on its own terms.

The possible future permutations of the Soviet reform process seem quite different if the lines between the various strata of the Soviet power elite are perceived as blurred and wavering rather than solid phalanxes arrayed against each other. Boris Kurashvili went so far as to characterize Soviet neo-liberalism as a political phenomenon which would quickly unravel following closer parliamentary inspection or after attempts to implement shock therapy provoked the "first broad wave of popular outrage" [Kurashvili, 1990a]. In the cold light of practical transitional difficulties, it is quickly becoming apparent that the notion of an experimental "third path" is not the figment of a sentimental imagination but an historical necessity for countries attempting to move from warped **neo-Stalinist** economic structures to a viable market economy of any kind [J. Sapir cited in Sachs, 1990]. For all his free market bluster, Janos Kornai's vision of the only feasible transition strategy from a command-administrative system to a capitalist economy, bears an uncanny resemblance to the market socialist models of the sixties despite it now being relabelled a "dualistic economy" for an age of triumphalist neo-liberalism [Kowalik, 1990]. The slowly unfolding Polish disaster and their own sinking popularity are impelling some neo-liberals to broach the possibility that the restoration of capitalism is a problematic endeavour because it is impossible to leap into an "integrated balanced economy created over centuries" [Pushkov, 1990]. Some are already resigning themselves to the likelihood that structural constraints and widespread egalitarian sentiments will be most conducive to the emergence of some novel malintegrated "hybrid" system resembling most closely a dependent bureaucratic capitalism.

After the cresting of their political offensive in the Autumn of 1990, the neo-liberals began explaining away the abortive "500 Days" Programme as the "infantile disorder of privatization", a rash attempt by ultras at ushering in the market from below which would have resulted in the nomenklatura or insurgent factory collectives gaining effective control of industrial assets [Grigoriev, 1990]. In response to these latest trends, prominent neo-liberals are already beating a hasty retreat from the political maximalism of the summer. The more prudent neo-liberals were always more partial to salami tactics instead of risky frontal assaults: "Cutting off the dog's tail by a little bit every day so that he becomes used to it" [Kara-Murza, 1990, p. 471]. Kliamkin interpreted Gorbachev's rejection of the Shatalin Plan and endorsement of a compromise variant as a victory for the

neo-liberal camp which had earlier badly overreached itself politically [Kliamkin, 1990]. In the view of the Soviet political scientist, Gorbachev's alternative programme should be constructed as a grudging admission by the nomenklatura that it could no longer cope with the demands of providing sufficient food and consumer goods to the Soviet people, and must accordingly relinquish responsibility in these spheres to "all those who work in agriculture, light industry, and trade". The academic was confident that the neo-liberals could use this new political space to expand the social base of those forces demanding the extension of private enterprise to the rest of the economy. Kliamkin foresaw the Perestroika settling down into a symbiotic antagonism between the nomenklatura establishment and the burgeoning ranks of entrepreneurs with the latter gradually improving their position within the mesalliance to become the dominant partner. But it seems at least equally likely that this *modus vivendi* would encourage the forming of alliances across old increasingly artificial battlelines and the osmosis of upwardly mobile elites into a rejuvenated dominant class. If the present protean and amorphous character of Soviet reform politics allows the party modernizers to impose a Pax Gorbacheva on querulous elites groping for a mediated accord, the Perestroika would culminate in the dominant class being reconstituted on a new mixed economic foundation of state capitalism and private enterprise.

However this felicitous outcome for the Soviet power elite is by no means preordained. A government specialist on the mechanics of privatization raised the spectre of the auctioning process getting out of hand if resentful workers at the various enterprises took advantage of the denationalization of state property to transform industrial assets into "economically illiterate" collective property which was for them the clearly preferred outcome [Melikian, 1990a]. All segments of the Soviet power elite realize that the greatest threat to a successful privatization would be a "change of the attitudes of work collectives. . . towards state property" when they see it being handed over to new private owners who made their fortunes in official graft or the black market [Kurashvili, 1990b, pp. 36-39]. Kurashvili anticipated that after an initial period of mass confusion about the technical arcana of privatization, the Soviet people would quickly grasp that the "state apparatus is transforming itself into the owner of a significant portion of the national wealth and thus into an important part of a new ruling class". The resulting popular upheaval would foster the rapid growth of an "anarcho-syndicalist movement" spearheaded by the new independent trade unions which will attempt to ensure the transfer of state property to worker collectives rather than private owners. The most likely outcome of this confrontation,

in Kurashvili's opinion, would be the neo-liberals moving forcibly to suppress the shopfloor revolts. The ensuing unrest would then open the way to conservative revanchism under the pretext of restoring order. The iconoclastic legal scholar has been among the most prescient observers of the political evolution of the Perestroika so his opinions deserve special consideration on this score alone. But as even Kurashvili admits, the great weakness of the Soviet right all along has been its inability to develop a coherent counter-programme for the salvaging of a foundering economic system. Given this vacuum, it appears more likely that the conservatives would use the repression of the Soviet labour movement to seek an open or tacit alliance with the neo-liberals which could work to their mutual advantage in creating more stable economic foundations for class domination. Kurashvili also raises the entirely plausible possibility of an impressive show of strength on the part of the labour movement, encouraging segments of the power elite, including Gorbachev, hitherto cowed by the neo-liberal ideological offensive, into going over to the real left. In short, the range of possible outcomes of the Perestroika is not as narrow as most Western accounts have drawn them. We can only be sure that the moment of truth still lies ahead and the Soviet Union is only now in the words of Kurashvili "drawing close to the denouement of one of the greatest dramas in human history".

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