

The Soviet Economy by Rachel Douglas

A Potemkin village?

Andropov is making a show of rationalizing industrial management to invite greater Western European investment.

Yuri Andropov has devoted much of the past summer to the limping Soviet economy, making three economic policy interventions:

- On July 26, the Communist Party's Central Committee announced that economic experiments would be carried out in two Soviet-wide industries and in single light industry sectors in three western Soviet Republics: Byelorussia, Lithuania, and the Ukraine. Local managers will gain more say-so over allocation of funds, for incentives to personnel, improvement of local housing, and investment.

- On Aug. 7, another Central Committee resolution decreed harsh punishments for drunks, truants, and slackers.

- On Aug. 15, Andropov called a meeting of "party veterans," whom he told there had been insufficient "vigor" applied to "overcome accumulated inertia," and that there would now have to be "changes in planning, management, and the economic mechanism. . . ."

The economic experiments promulgated on July 26 and mentioned by Andropov Aug. 15 were defined in vague formulas, some of them almost identical to plans that failed under Aleksei Kosygin and then Leonid Brezhnev. Only the nearly simultaneous leak to Western reporters of a confidential study by Siberian economists gave a firmer indication of the experiments. It outlined more radical decentralization measures which would enhance the "social aspects" of economic management—an allusion

to problems of motivation—and called for a drastic streamlining of "the outdated . . . system of industrial organization," entailing "reduction of personnel, disbanding of many departments . . . and so forth."

It is true that because of the parochial, petty, anti-progress bureaucracy, and the dead weight of the Soviet economy's peasant agrarian base, productivity rates are lower each the year, and the population is scarcely reproducing itself.

It is also true that administrative reforms such as Andropov's could not revive the Soviet economy today. The unaddressed issue is investment, the vehicle for expanding an economy. In the U.S.S.R., it has slowed to a crawl since 1975. The short-term beneficiary was the defense sector, and the result was to lock the civilian economy into reliance on outdated plant and obsolete technologies. The current Five-Year Plan (1981-85) directs the bulk of investment funds into "reconstruction and modernization" of existing factories.

As against a 41 percent growth of investment in the 1971-75 period, the target for 1976-80 was set at 24-26 percent (29 percent growth occurred in fact) and for 1981-85, at 12-15 percent. In a recent volume of papers on the Soviet economy prepared for the Joint Economic Committee of Congress, Myron Rush observed that, since the drastic 1975 scaledown of investment was coupled with a constant or increased rate of defense spending, "in effect, investment funds

were diverted into defense." The notion of sustaining overall economic growth with reduced investment was enshrined in a 1979 Central Committee resolution and followed in the drafting of the 1981-85 plan.

1975 and 1978 were located in a March 23, 1982 *EIR* LaRouche-Riemann economic study as the points at which there was a large, officially unannounced diversion of resources into military procurement. Non-defense industries were starved. And within the civilian sector, investment was so weighted in favor of the natural gas pipeline system from West Siberia to Russia and Western Europe that the high-technology nuclear power industry, among others, got shortchanged.

With Soviet military spending remaining in the range of 16 percent of national product and the administrative bootstrap too weak to pull the civilian sector up, Andropov is looking to greater economic integration with Eastern and Western Europe.

One of the main preconditions set by West German industrialists, particularly, for further large investment in the U.S.S.R. on their part, has been that the Soviet side show some commitment to straightening out economic "mismanagement," as they put it. Asked some months ago about a plan put forward by Berthold Beitz of Krupp for a continental economic cooperation scheme between the U.S.S.R. and West Germany, sources in West Germany commented that "unless the U.S.S.R. overcomes mismanagement and inefficiency, it wouldn't make much sense to upgrade our investments."

Andropov's campaign for discipline and streamlined administration looks like the famous fake villages thrown up by Prince Potemkin to please Empress Catherine the Great. It's evidently meant to be seen by West Europeans, too.