

Soviet Union faces chaos without aid from the West

by Konstantin George

The U.S.S.R. has come to a crossroads where either it soon receives a huge, *competent* Western economic aid package, or plunges into economic and social chaos. The first phase of chaos has already begun, on the eve of Soviet leader Mikhail Gorbachov's departure for his summit with President Bush. This chaos, which has been manifest in a never-ending round of panic-buying, already of unimaginable dimensions in all cities and towns of Russia and Ukraine, forms the backdrop to the Washington summit.

While all the "noise" concerning Moscow's request for an economic aid package is occurring in the context of the Gorbachov-Bush talks, the crucial components that will determine whether the aid is capable of beginning to solve the U.S.S.R.'s economic crisis, will be determined in the Soviet-German economic investment, aid, and trade negotiations. The best that can currently be expected of the Washington talks, is that they do not *sabotage* Germany-centered economic projects to modernize the infrastructure and industrial belts of Central Eastern Europe, and do nothing to place competent German initiatives in a political straightjacket.

The political backdrop to the summit was the May 28 election by the Russian Parliament of Russian nationalist and populist Boris Yeltsin as president of the Russian Federation. The prospect of Yeltsin's election had presented Gorbachov with a dilemma: Suffer a severe humiliation and loss of face by allowing a person widely perceived, to a large degree falsely, as a "rival" to Gorbachov, to win, or deny Yeltsin the Russian presidency and thereby ensure that the social-political crisis goes out of control. Gorbachov chose to accept the former, or lesser of the two evils. He may dislike Yeltsin, but politically he *needs* Yeltsin, since Yeltsin is the only political figure who is popular, at least presently and into the near future, and thus can contain the rapidly escalating panic,

chaos, and threatened strike waves in Russia and Ukraine. Gorbachov can survive a humiliation, but cannot survive if the core goes out of control.

Moscow calling for help

At the highest official level, that of the U.S.S.R. Presidential Council, council member and Gorbachov economic adviser Stanislav Shatalin sounded the alarm, in a pre-summit interview with the London *Financial Times* on May 29. Shatalin stated plainly that if there is no Western aid on a large scale, then whatever stability remains in the Soviet economy and society will vanish.

"Maybe on the eve of the visit to the U.S. it is not convenient to say so, but I believe we should make it very clear that without big credits from the West, we will not be able to build the market economy. I believe the U.S. and others are simply bound to do something. Just for the sake of keeping things stabilized here, the West must lend a hand," Shatalin said.

Shatalin blasted the economic package of Soviet Prime Minister Nikolai Ryzhkov, with its solitary emphasis on price increases and its refusal to accept that nothing Moscow does will work in the absence of Western aid. Shatalin's statements mean that the Ryzhkov government will be thrown to the wolves later this year, to appease popular anger.

"The government has no clear position, whether credits are needed and when they are needed. We need loans for commodity goods, loans for capital, and a two-way exchange of brains. I know that the commercial risk is greater now. I know the situation with our capacity to pay is more difficult. The country is not asking for charity. But for a dynamic process to start, the West should help us," Shatalin said.

Shatalin announced that under his direction, a Presiden-

tial Council alternative plan to Ryzhkov's government plan was being drafted, to be ready by the summer or September at the latest. The Shatalin Plan would promote private property, private enterprise, and direct foreign investment. Commenting on the Ryzhkov Plan, which requires approval in a popular referendum, Shatalin added:

"If we have a referendum now, I am afraid the people will say no. If you just ask them do you want a market, they will say no, no, and no again. So the question must be very precise.

"The President is not the government. The government worked out the plan. Now the Supreme Soviet will decide. and the President will say later what will *really* be done. Yesterday's statement by the President was by no means an endorsement of the plan as the correct formula. . . . We need new and much more radical measures. We are just working out an alternative plan now. Our President is a very undogmatic person. He is open to new ideas. When the economy becomes his favorite child, he will do many of the things we have been speaking about."

Even the black market is crumbling

Hair-raising reports from travelers who visited ordinary Russians and Ukrainians during the second half of May, confirm that something drastic must be done, and soon. Whatever shreds of "stability" and "order" had remained in the country's supply and distribution of food and consumer goods, collapsed after Ryzhkov's announcement of future price increases, beginning with a tripling of the price of bread on July 1. On the surface, the Ryzhkov Plan was "moderate," containing no across-the-board price increases until Jan. 1, 1991.

But the government had miscalculated the population's mood, which could be characterized as follows: "The government says it's only going to be bread, but we know better, we know them, they're liars. Everything is going to go up on July 1—not next year. Grab what you can now, before the price goes up, and before it all disappears." Within hours, a panic-buying spree was under way, and continued unabated through May. Panic-buying is nothing new under Gorbachov. It has happened before with soap, detergent, salt, sugar, and even matches. This time, all commodities are affected.

The energies of an entire people are now thoroughly engaged in procuring or trying to procure food and other items that everyone is convinced will soon vanish. The effect on the economy is devastating. The average Russian or Ukrainian worker in the cities works only half a day, spending the rest of his or her "working time" standing in queues or engaging in barter with a neighbor or fellow-worker for scarce goods. Millions of man-days of labor are lost every single day, with no strikes; in fact, the cumulative loss is far greater than that from almost any conceivable strike wave.

Whether Soviet statistics will show this phenomenon is doubtful. The majority of the lost man-hours never appear in

plant records. Plant managers and foremen, office directors, and supervisors gladly "look the other way" in exchange for cash bribes or, as is usually the case, a "cut" from the scarce consumer goods procured.

The buying sprees in the cities, the crowds storming department stores, fighting with one another over whatever items are to be found, is only one side to what is happening. The anticipation of a prolonged and bitter time of turbulence and suffering has created, across the country, the practice of urban-rural bartering of consumer goods for food on a scale not seen since the 1920s.

The peasants of Russia and Ukraine had, in their own way, foreseen that a "Time of Troubles" was arriving. The state received from the 1989 harvest what the law compelled peasants to surrender, while the main energy of the peasantry went into maximizing the harvest of what could be kept and stored in the villages. As they have learned from the bitter experience of life under the Bolsheviks, to do anything else would doom them, as the first victims of any famine. In this situation, even what could have been termed "pillars of black market stability" have crumbled. Until recently, it was always possible, by using a fair sum of Western currency, to procure a decent dinner in Moscow's hotel restaurants. This is no longer the case. The better quality food in these hotels has now been funneled into new black market outlets, fetching even higher prices.

Yeltsin's role

Given all this, it's clear why the Russian elite decided that nothing short of electing Yeltsin, and giving the green light for a campaign for "Russian sovereignty" and "Russian rebirth" *against* the despised "Center" in Moscow, could even hope to provide some stability.

Right after his election, Yeltsin wasted no time in getting off on this track, addressing reporters on May 30:

"We must withstand the diktat of the Center. Russia will be sovereign in every respect. Russian laws should have priority over Soviet laws. The Russian constitution should have priority over the Soviet constitution." Yeltsin then echoed a declaration one day earlier by the Ukrainian government. Denouncing the Ryzhkov price increases, he said, "We are not Poland. We are used to stable prices."

The reason why Yeltsin was elected was clearly stated when he pronounced his program for the next 100 days: "We will establish a new competent government that will have the trust of the people." The big question remains whether Gorbachov and the Soviet leadership orient quickly enough to a U.S.S.R. economic assistance package, based on the crash development of the economy of united Germany and Central Eastern Europe, as the only possible motor that could regenerate the collapsed Soviet economy. Any other course, Yeltsin or no Yeltsin, will only worsen the economic and social chaos, with incalculable and dangerous political and strategic consequences.