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**THE TURNING POINT: REVITALISING THE SOVIET ECONOMY.** By Nikolai **Shmelev** and Vladimir Popov. Doubleday; 352 pages; \$ 22.95. To be published in May by I B Tauris; £29.95 **PERESTROIKA REVOLUTION.** By Abel Aganbegyan. Bantam; 248 pages; £14.95. To be published in America by Harper & Row

**BODY:**

BOOKS by western academics on the sinking Soviet economy are voluminous but not authoritative. Books by Soviet economists, who ought to be authoritative, are usually just platitudinous. Here, however, are two good ones, by academics in the thick of reform. Abel Aganbegyan was an architect of the earlier, more cautious stage of perestroika, the one which eschewed markets in fundamental things like labour and capital, and which lasted until the middle of this year. His book still asserts that "to catch up it will still be possible for us to . . . overfulfill the targets of the twelfth five-year plan." This, as Nikolai **Shmelev** makes plain, is not possible.

Mr Aganbegyan lost influence when Mr Gorbachev, realising that cautious reform was not working, turned to more radical reformers: among these, pre-eminently, Mr **Shmelev**. He, like his co-author, Vladimir Popov, is a professor at Moscow's well-respected US-Canada Institute, a sort of think tank. He is also an MP to whom people listen; and his book is the most convincing demolition of the central-planning system that has ever been written.

He starts with examples like this. At the Kurgan bus factory, worker take partially-assembled Gaz 53 trucks from the Gorky car factory -- and smash them to pieces with sledgehammers. They can make buses based on the chassis of the trucks, which is the only part they need. Why doesn't the Gorky factory send only the chassis to Kurgan? Because the state all-union standards board (GOST) says that trucks have to be made with all the bells and whistles on, even if all that is required is the chassis to make a bus. As Mr **Shmelev** says, "it is much harder to change GOST than to swing a sledgehammer."

The lunatic bus factory is not an anomaly; it is a natural product of the planning system. That system, Mr **Shmelev** argues, presupposes that planners know what level of output you will get from each industrial process depending on the amount of labour, energy and the rest that you put into it. You can, with the help of a computer, work out input-output ratios for a few thousand processes. But in an economy like the Soviet Union's, where there are millions of such processes, no computer can cope. Even if Gosplan had lots of powerful computers (which it does not), it would not be able to produce an accurate plan. Mr **Shmelev** shows that in 1987, in 16 basic categories of goods (things like turbines and metal-cutting machines) the actual growth was only half or a third of the planned growth. "What is the point of

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planning", he asks, "when the typical error in determining the growth rate of output is approximately equal to the rate itself?"

The only point, the only answer, is that the plan has taken on a life of its own. Planners are responding to the bureaucratic and political demands of factory managers below them and party members above. Blueprints of where the economy is going do not enter into it; this year's plan largely determines next year's, and small mistakes are magnified over time. The extreme case can be seen in that characteristically Soviet image of progress, the tractor. The Soviet Union has 3m tractors; 250,000 of them are broken down at any one time. This is partly the result of bad design, but not entirely. Farms do not repair their own tractors; specialist repair shops do that. Each has its own plan for the number of tractors it is supposed to repair in a year. In western Siberia, says Mr **Shmelev**, the number of repairs requested by farms covered only 56% of the repair shops' plans. So the repair shops forced the farms to send tractors to be repaired even when they didn't need it. As the author says, "repair becomes an end in itself: repair doesn't exist for the tractor. The tractor exists to fulfill the repairmen's plans."

The disappointing part of Mr **Shmelev's** book comes at the end. Having demolished central planning, he balks at the obvious conclusion: it is necessary to establish a market in its place. This is especially disappointing because, in the Supreme Soviet, he shows no such hesitancy. So, for a flavour of the solutions now being proposed by the new breed of economists, turn back to Mr Aganbegyan. Although written in deplorable bureau-speak ("We must follow the path of the nineteenth party congress, which analysed critically the long and basically productive path of perestroika in the preceding three years . . ."), his book reflects the change in thinking over the past year. Instead of previous caution, he now wants price liberalisation next year (with offsetting subsidies to the poor), the mopping up of excess savings by the sale of government bonds, the creation of a financial market with higher interest rates, and an opening up to the world economy by making the rouble convertible (eventually).

These are the main items in Mr Gorbachev's new economic programme. Given the force of communist-party conservatism, they are probably the best that Soviet economists could come up with. The worrying thing is that both these books, in different ways, leave a nagging feeling that they may not be enough.

**GRAPHIC:** Picture, no caption