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In this issue:
Managing Change



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November-December 1986

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| | Gorbachev's freedom to maneuver is constrained by the Politburo, which must endorse all his policy initiatives and ultimately has the power to remove him. Of the dozen full Politburo members, a minority are probably loyal supporters, another minority old-guard skeptics, and the central majority a mix of allies and independents who must be persuaded on the merits of each issue. At this critical juncture in consolidating his power, further progress on his agenda probably depends on his ability to reshape the Politburo and make it more responsive to his will. [Redacted] | | 25X1 |
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| | Gorbachev's incremental approach to reform limits our ability to predict how far he will be willing, or able, to push his ideas. If pushed to their extremes, they would create a radically different Soviet economy. The evidence thus far, however, suggests that his efforts to improve the system will be something of a trial-and-error process and that the dimensions of the reform ultimately will be determined by a combination of the economic results he obtains and his own political abilities. [Redacted] | | 25X1 |
| | [Redacted] | | 25X1 |

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Restructuring the Government Apparatus [Redacted]

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General Secretary Gorbachev has assigned a high priority to restructuring the government, a task that he views as essential to the success of his economic revitalization program. He has taken steps to gain more effective control over the main direction of the economy, while at the same time leaving more of the day-to-day management to the local and enterprise levels. New interministerial coordinating bodies have been established for key sectors of the economy. The central bureaucracy is being reduced, and some layers of management are being eliminated. These measures should help the regime focus on broad economic tasks but will do little to reduce the temptation for ministries to interfere in enterprise management. [Redacted]

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[Redacted]

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Gorbachev's New Directions in Propaganda and Culture [Redacted]

23

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General Secretary Gorbachev has launched a far-reaching policy of *glasnost* (openness) and cultural revitalization to counter the attraction of "bourgeois" culture and Western propaganda, to overcome widespread apathy and alienation, and to increase his own freedom for maneuver in addressing the nation's problems. He is meeting resistance from conservatives among media officials, cultural figures, and midlevel bureaucrats, but so far there are no signs of serious disagreement at the top level. Expanding the limits of the permissible in culture and propaganda harbors major risks for the regime and for Gorbachev personally. On the other hand, a crackdown would risk killing the esprit Gorbachev wants to foster and might lead to greater popular cynicism than existed before.

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[Redacted]

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Gorbachev's Economic Program: Monitoring Progress [Redacted] 31

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In its efforts to revitalize economic performance, the Soviet regime has focused on improving the existing system and temporized on the need for politically risky basic economic reforms. Soviet leaders, however, cannot afford to await the full impact of current initiatives before deciding on whether further changes are required. They are likely to base their judgments on demonstrated progress in a few critical areas. We have identified a number of "progress indicators" with respect to four major themes of Gorbachev's economic strategy: industrial modernization, economic efficiency, economic discipline, and consumer welfare. [Redacted]

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[Redacted]

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Other Topics **The Dilemma of Moscow's Policy To Curtail Illegal Private Activity** [Redacted]

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Moscow's latest crackdown on the second economy has created confusion among officials and the populace and has increased consumer frustration by making privately provided consumer goods and services harder to obtain. New legislation on individual labor activity attempts to clarify the situation by specifying what types of activities may legally be pursued; however, it contains little that is new. [Redacted]

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[Redacted]

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Viewpoint **Ligachev, Gorbachev, and the Configuration of Power in the Current Soviet Leadership** [Redacted]

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Historically, the relationship between the number-two man in the Soviet party leadership and the General Secretary has been marked by tension and competition. Although Gorbachev's relationship to his second secretary, Yegor Ligachev, is probably not as antagonistic as that of his immediate predecessors, Ligachev appears to be an independent political force, seeking to limit Gorbachev's power. [Redacted]

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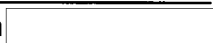
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Managing Change



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Perspective: Gorbachev's Program Builds Momentum



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When the 27th Soviet Party Congress adjourned in March 1986, General Secretary Gorbachev had already moved with unprecedented speed to reshape the senior leadership, but his ability to translate personnel changes into action on his domestic agenda remained uncertain. Since then, his ambitious program for "restructuring" the Soviet system has gained demonstrable momentum in Politburo decisions and government legislation. He clearly has encountered more resistance than he anticipated, however, and that resistance is reflected in the kind of changes he has been able to make in economic management—highly impressive when compared to the accomplishments of his recent predecessors, but something less than the "radical reform" he has said is needed to revitalize the economy (see "Gorbachev's 'Radical Reform': A Progress Report").



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The pace of domestic policy initiatives has picked up noticeably since the congress, and the regime has already taken initial steps to implement most of Gorbachev's directives:

- To help shift the bureaucracy's focus from micromanagement to strategic planning and coordination, central coordinating bodies have been established to oversee the energy, construction, "social development," and foreign trade sectors, in addition to those for agro-industry and machine building announced before the congress (see "Restructuring the Government Apparatus").
- In response to Gorbachev's criticism of the wage-leveling trend of the Brezhnev years, a reform was enacted in August that is designed to widen substantially the disparity in wages between workers who perform well and those who do not.

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- Gorbachev's promise to provide greater scope for individual initiative has already brought new legislation sanctioning a limited expansion of business opportunities for individuals and small groups outside the state sector, especially in consumer goods and services. An October decree allows the formation of profit-sharing cooperatives to collect and sell recycled materials, and a new law passed in November sanctions moonlighting by individuals in a range of activities from cottage industries to medical services.
- An ambitious five-year legislative program was announced in August. If implemented, it will address most of the economic and social problem areas Gorbachev has identified. The program includes specific target deadlines designed to keep up the pressure for further action. [redacted]

One of the most dramatic developments has been the new momentum acquired by his *glasnost* (openness) policy, which is making the Soviet cultural scene more lively than at any time since Khrushchev's cultural "thaw" in the 1950s. Films, books, and plays are now being released that deal explicitly with such sensitive issues as Stalin's crimes, and commentators are openly discussing contemporary problems, such as drug abuse, that were once taboo (see "Gorbachev's New Directions in Propaganda and Culture"). [redacted]

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Signs of progress on the issue he placed squarely at the center of his agenda—economic performance—have further strengthened his position. Industrial production as a whole is expected to grow faster this year than at any other time since the mid-1970s, and agricultural output seems headed for a recovery from its two-year slump. [redacted]

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Gorbachev also has established increased personal control over foreign policy decision making during this period. He has largely succeeded in putting his own foreign policy team in place and has vigorously pushed policy initiatives that depart from previous Soviet diplomatic practice.

[redacted]

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Signs of Resistance

Despite these successes, Gorbachev's own comments, [redacted] [redacted] indicate that he has run into more resistance throughout the system than he initially anticipated. His frustration with this resistance has been evident in his increasingly bitter public criticisms of the party and government bureaucracies. The core of Gorbachev's immediate problem is the vast party and government apparatus that has

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successfully stifled previous efforts to change the system. At the lower levels, Gorbachev has had considerable difficulty in making the regional party organizations responsive to the demands of the center, thanks in part to Brezhnev's lax personnel policies that allowed them to become virtually independent fiefdoms. [redacted]

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Resistance from the bureaucracy is reflected in the economic reform decrees that have been issued thus far, which have fallen short of the "radical reform" Gorbachev has called for in his speeches. His reforms have encountered resistance from ideological conservatives and foot-dragging from government bureaucrats worried that the changes he proposes will undermine their traditional privileges and status. Gorbachev's efforts to restrain the growth of defense spending and modify Soviet positions on security issues also have caused [redacted] uneasiness within the military. [redacted]

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[redacted] one short-term effect of Gorbachev's reforms has been to produce widespread confusion and disarray in the bureaucracy. Many Soviet officials [redacted] are finding it difficult to adjust to the pressure from Gorbachev for improved performance while trying to follow vague and often conflicting new instructions. [redacted]

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Such lower-level resistance will become even more significant if Gorbachev's ability to command a consensus at the top is in question. Gorbachev still faces a Politburo composed of a few loyalists who support him on most issues, a few opponents who tend to object to most of his ideas, and a group in the middle whose members are persuaded one way or another on the merits of the issue or on the basis of their perceived interests (see "Gorbachev and the Politburo"). [redacted]

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The problems Gorbachev is encountering are an inevitable response to the changes he is attempting to impose on the system. They have not yet stalled his program or diminished his determination to improve the system. He acknowledges that he is facing a long-term task that could take "generations" to complete. But even his Soviet supporters are concerned that he will need to show new gains against his opponents soon if he is to sustain the momentum for change he has generated. [redacted]

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Looking Ahead

Several developments over the next few months will provide clues to Gorbachev's progress in dealing with the resistance:

- *Adherence to published target dates for reform legislation and how closely that legislation reflects his ideas.* Those targets have been met so far, and significant delays or the passage of legislation that lacks substance would signal increased resistance.
- *Trends in the reform debate.* A resurgence of publications by conservative officials, who have been rendered largely silent by the current political atmosphere, would suggest that Gorbachev's reforms are coming under increased attack in the Politburo.
- *The momentum of Gorbachev's glasnost campaign.* A retreat from the decision to deal more openly with sensitive issues would suggest a strengthened position for the conservatives, who believe such openness could undermine the regime's legitimacy, and would be a serious blow to Gorbachev's effort to attack the root problems of the system.
- *How vigorously Gorbachev's social policies are implemented.* If his antialcoholism measures eventually are ignored or significantly scaled back, for example, the failure of that campaign could reflect an erosion of his political strength. [redacted] 25X1

Gorbachev also will need to demonstrate progress in meeting his goals of modernizing Soviet industry, increasing economic efficiency and discipline, and improving the quality, quantity, and variety of consumer goods and services. Published Soviet economic data, [redacted] 25X1

[redacted] will help determine whether Gorbachev is obtaining the kind of early positive returns in these areas that he will need to sustain the current momentum of his economic program (see "Gorbachev's Economic Program: Monitoring Progress"). [redacted] 25X1

[redacted] 25X1

Gorbachev and the Politburo [redacted]

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General Secretary Mikhail Gorbachev has made rapid progress consolidating power and appears to be in a strong position, but, like other post-Stalin Soviet leaders, he faces major constraints on his freedom to maneuver. The most important of these come from the Politburo, which must endorse all of his policy initiatives and ultimately has the power to remove him if he acts too independently. At present, few of its members are politically beholden to Gorbachev, and there can be little doubt that in many cases he must bend to its collective will. [redacted]

Leadership Changes

Gorbachev has not yet made a number of leadership changes that he surely wants. His protege Vsevolod Murakhovskiy, head of the agro-industrial bureaucracy since November 1985, is the only one of the three first deputy chairmen of the Council of Ministers who does not have at least a candidate seat on the Politburo. Gorbachev's ally Boris Yel'tsin has not attained the full Politburo membership enjoyed by his predecessors as Moscow party boss. [redacted]

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The Operation of Gorbachev's Politburo

Although as its chairman the General Secretary has a distinct advantage in influencing its decisions, the Politburo operates collectively with each full member having an equal vote. Unlike Brezhnev's Politburo, which was packed with his cronies, Gorbachev's Politburo is made up of mostly independent-minded leaders who are likely to have their own agendas that sometimes diverge from the party leader's agenda. Few members are politically dependent on Gorbachev; so he must forge a consensus among them. A number of comments by Politburo members suggest that this is not always easy:

Regional Resistance

Regional leaders who are members of the Politburo have shown a surprising degree of independence from the center. Under Gorbachev this was dramatically demonstrated by the difficulty he had ousting former Moscow party boss Viktor Grishin (see inset). Similarly, Gorbachev's success in removing Kazakh party leader Dinmukhamed Kunayev from his republic post was marred by severe political disturbances. And Ukrainian party boss Vladimir Shcherbitskiy remains in place despite Gorbachev's apparent efforts over the past year to undermine him. [redacted]

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- At the 27th CPSU Congress Yegor Ligachev noted the "frank exchange of opinions" that now takes place in the Politburo, and Eduard Shevardnadze stressed the "freedom to discuss all issues."
- Its decisions are argued vigorously. [redacted] Gorbachev mentioned "conflicts" and "arguments" in the Politburo when he spoke to a group of Soviet writers in June 1986. [redacted]

Leadership Differences

There have been persistent indications of differences within the leadership over key issues. At the 27th Party Congress there were signs of differences over elite privileges. In May [redacted] Gorbachev could not initially win approval for making the details of the Chernobyl' nuclear accident public. Over the past year there have been some hints of dissatisfaction with Gorbachev's policy toward the United States. [redacted]

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Who Supports Gorbachev?

Probably no member of the Politburo can be characterized as totally supporting or opposing Gorbachev. A small number of Politburo members may support him out of personal loyalty on most issues—most

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Indications of Limits on Gorbachev's Power

The constraints imposed on Gorbachev by his Politburo colleagues have been evident in a number of areas. [redacted]

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**Power and Its Limits:
The Grishin Affair**

Gorbachev's struggle to remove Viktor Grishin illustrates the problem the General Secretary has in exercising his power over Politburo members who control large regional party organizations. [redacted]

On 24 December 1985, Grishin was removed as chief of the Moscow City Party Committee at an acrimonious city plenum. Several Soviet contacts of the US Embassy in Moscow, some citing eyewitness informants, reported that there was a sharp conflict at the plenum between Grishin and Gorbachev. Grishin apparently defied Gorbachev's efforts to remove him and mobilized his supporters to block Gorbachev's candidate Boris Yel'tsin, forcing the latter to summon Gorbachev to help. Even after Gorbachev announced his backing for Yel'tsin, Grishin still got one-third of the votes, [redacted]

[redacted] Gorbachev later told a foreign Communist leader about his "sharp confrontation" with Grishin, noting that before being removed Grishin had boasted that the Moscow party organization would not repudiate his leadership. [redacted]

Although Gorbachev won an important victory—removing a member of the Brezhnev old guard and promoting a supporter in his stead—limits to Gorbachev's power were revealed. First, hundreds of party members witnessed defiance of the General Secretary instead of deferential obedience. Second, Gorbachev found it not so simple to attack a Politburo member on his own turf. [redacted]

The latter point helps account for the prolonged survival of old guard members Shcherbitskiy and Kunayev. Ukrainian and Kazakh Central Committee members, bound to those party leaders by longstanding close ties, face removal themselves after the leaders step down, and can be expected to put up stiff resistance. [redacted]

likely Shevardnadze and Lev Zaykov. At the other end of the spectrum, the Brezhnev holdovers—Gromyko, Shcherbitskiy, and, for the time being, Kunayev—have good reason to worry about Gorbachev's assault on the old guard and are likely to be most skeptical of Gorbachev's programs. The majority, however, appear to be a mix of allies and independents who must be persuaded on the merits of the issues or on the basis of their perceived interests. Some of the members of this group may find it in their interest to keep Brezhnev holdovers in the Politburo, thus increasing their own influence as the critical swing votes in the center.

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Loyalists

Lev Zaykov. All evidence indicates that party secretary Zaykov, who is responsible for economic policy generally and defense industry policy particularly, is a loyal supporter of Gorbachev. He is the only full member of the Politburo to have gotten all his central leadership promotions under Gorbachev. Although there are no past career ties between them, Gorbachev oversaw his installation as Leningrad party chief in June 1983. Gorbachev returned to Leningrad on an inspection tour in May 1985 and praised Zaykov's accomplishments. He was apparently impressed enough with his performance to promote him to the Secretariat two months later.

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With his promotion to full Politburo membership in March 1986, Zaykov became a political counterweight to the party's number-two man, Yegor Ligachev. Zaykov has publicly echoed Gorbachev's main policy preferences. In a tour of Irkutsk last June, for example, he declared that defense industries would have to help the civilian sector to retool, and he said that five-year-plan targets would have to be made "tougher" and the deadlines for meeting them shortened.

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Eduard Shevardnadze. More than any other Politburo member, Foreign Minister Shevardnadze appears to rely on Gorbachev's protection and patronage, and there is no question that he is a loyal supporter of the

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Full Members of Gorbachev's Politburo

- New to Politburo under Gorbachev
 Became full members under Gorbachev, but were candidate members before he became General Secretary
 Became full members under Andropov
 Became full members under Brezhnev

| Name | Position |
|------------------------|--|
| Mikhail Gorbachev | General Secretary |
| [REDACTED] | [REDACTED] |
| Viktor Chebrikov | KGB Chairman |
| Eduard Shevardnadze | Foreign Minister |
| [REDACTED] | [REDACTED] |
| Andrey Gromyko | USSR President |
| Vladimir Shcherbitskiy | Ukrainian Party Chief |
| Dinmukhamed Kunayev | Former Kazakh Party Chief ^a |

^a Kunayev was removed from his Kazakh post on 16 December 1986. His expected removal from the party Politburo, however, must take place at a plenum of the CPSU Central Committee. None had been convened as of the first week of January 1987.

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General Secretary. Cut off from his home base of Georgia and an interloper at the Ministry of Foreign Affairs, Shevardnadze has no independent political base. Before he became party leader, Gorbachev regularly vacationed in Georgia, and Shevardnadze has indicated to Western officials that he and Gorbachev have been friends for a long time. [REDACTED]

By making Shevardnadze the Foreign Minister and a full Politburo member in July 1985, Gorbachev also gained a strong advocate for his domestic policy agenda. Under Brezhnev, Shevardnadze was an outspoken advocate for domestic change and turned his republic into a testing ground for economic, agricultural, and management reforms, many of which are now being promoted by the Gorbachev regime on a national scale. [REDACTED]

Allies and Independents

All the members of this group entered the Politburo after Brezhnev's death. Although they probably share a perception that the problems they inherited must be

addressed, there are indications that they may differ on what needs to be done. As Ligachev, the leading figure in this group, pointed out at the 27th Congress, the Politburo is no longer willing to accept "delays and procrastination" in addressing problems. Members of this center group are likely to overcome differences and rally behind Gorbachev when he presents proposals they think will work, but they must be convinced of the merits. [REDACTED]

Yegor Ligachev. Ligachev became "second secretary" of the party under Gorbachev and appears to support him on many issues. As the number-two man in the party, he is the most obvious potential alternative to Gorbachev. If he were trying to challenge Gorbachev, we would expect him to distance himself from the more controversial aspects of Gorbachev's program. Instead, in the key areas he oversees—cadres, ideology, and culture—he appears to be on board. [REDACTED]

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At the same time, some of Ligachev's remarks should reassure conservatives. At a social science conference in October he criticized Soviet writers for flirting with religious themes and warned against allowing slanderers and demagogues to take advantage of the new openness. In the October Revolution address, he appeared to rule out proposals being advanced by reformers to allow unemployment. [redacted]

Nikolay Ryzhkov. Premier Ryzhkov appears to fully support the steps taken so far in the economic sphere, but in his public statements he has not gone as far as Gorbachev in discussing further measures, suggesting that he may be more cautious about more radical economic reforms. As a former economic planner, he may have an appreciation for the difficulties involved in such a course. Although he achieved his current position under Gorbachev, as head of the government he has had an opportunity to build an independent power base. [redacted]

At the same time, Ryzhkov has played a key role in Gorbachev's efforts to wrest control of the ministerial bureaucracy from the old guard. After being appointed Premier in September 1985, he oversaw a massive purge of the Council of Ministers, including nine of 12 deputy premiers, and 40 other officials of ministry rank among the 90 ministries and state committees. Ryzhkov's public rhetoric on ministry shortcomings is often tougher than Gorbachev's. At the Supreme Soviet session in June 1986, for example, he was blunter than Gorbachev in attacking government officials for blocking change and spoke more forcefully on the need for restructuring economic management. [redacted]

Mikhail Solomentsev. Party Control Committee Chairman Mikhail Solomentsev probably supports Gorbachev on issues of party discipline and economic reform, but he is not beholden to him, having obtained his position under Andropov. Under Solomentsev's charge, the Party Control Committee has been a major weapon in Gorbachev's discipline campaign, helping to bring the ministries and regional party organizations into line. In August 1986, for example,

Solomentsev's committee took strong action to discipline lagging ministries in the machine-building sector: two ministers were replaced shortly after the publication of its findings on their shortcomings. [redacted]

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Solomentsev appears to have long seen the need to break out of the Brezhnevian economic straitjacket. One emigre claimed that under Brezhnev Solomentsev was frustrated by the inability to examine alternatives during the planning process and once asked an institute to draw up an alternate national economic plan. At the 27th Congress, Solomentsev was the only leader to declare that the Brezhnev leadership should have seen the bankruptcy of its extensive economic development as early as "the end of the 1960s," rather than the late 1970s cited by Gorbachev. Nevertheless, his age (73) and experience give him reason to sympathize with the old guard on other issues. [redacted]

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Vitaliy Vorotnikov. RSFSR Premier Vitaliy Vorotnikov owes his present position to Andropov. Some Soviet officials expected Vorotnikov to become premier when Tikhonov retired. He was also passed over for the post of senior economic secretary that went to Zaykov. That Vorotnikov was selected for neither of these positions suggests that he is not as close to Gorbachev as he was to Andropov. [redacted]

Nevertheless, there have been no reports of friction between him and Gorbachev. Before his elevation to the central leadership, Vorotnikov spearheaded a drive to clean up Krasnodar Kray, indicating that he represents a break with Brezhnev-era toleration of corruption and excessive privilege. [redacted]

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Viktor Chebrikov. KGB chief Chebrikov appears to have been one of Gorbachev's earliest backers. [redacted]

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Chebrikov's elevation to full Politburo membership at the first opportunity after Gorbachev came to power may have been a reward for this support. [redacted]

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Despite Chebrikov's apparent support, Gorbachev may eventually want to put his own man in the sensitive post of KGB chairman. There have been several recent indications of possible friction between the two. Two well-informed, third-country contacts of the US Embassy in Moscow independently said recently that Chebrikov and Gorbachev had become opponents. One said that the source of disagreement was Gorbachev's plans for economic reorganization, which might weaken internal security controls. [redacted]

[redacted] Chebrikov may be transferred to another post. [redacted]

Geydar Aliyev. First Deputy Premier Aliyev may have more in common with the Brezhnevite old guard than with Gorbachev. One knowledgeable Soviet told a Western embassy officer that Aliyev initially hung back in the March 1985 Politburo discussions of Chernenko's successor as party leader, supporting Gorbachev only when he saw the discussion going in his favor. Aliyev has kept a low profile since Gorbachev took over, not taking a strong stand on any policy issue. [redacted]

Although he was made a full Politburo member under Andropov, [redacted] his promotion from Azerbaijan party boss to the central leadership had been agreed on under Brezhnev. [redacted]

[redacted] Aliyev made lavish gifts to the Brezhnev family. Some contacts of the US Embassy in Moscow assert that a *Pravda* article early this year attacking sycophancy and fawning servility was aimed at Aliyev and had been written on orders from someone in Gorbachev's Secretariat. [redacted]

[redacted] Aliyev may be dropped from the leadership. He was the only full Politburo member who did not speak at the 27th Congress, and in recent group appearances he has slipped in protocol ranking. [redacted]

The Old Guard

Other than Gorbachev himself, Gromyko, Kunayev, and Shcherbitskiy are the only remaining Politburo members from the Brezhnev era. To them, Gorbachev is a newcomer. Because they are what is left of the Brezhnev leadership, they are more closely associated with its policies and therefore less likely to support

new policy directions. With each younger member brought into the Politburo, their positions grow less secure. [redacted]

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Andrey Gromyko. President Gromyko appears to have an ambivalent view of Gorbachev: on the one hand, his speech nominating Gorbachev as party leader in March 1985 indicated that he sees the need for a vigorous national leader; on the other hand, his remarks at the 27th Congress suggest he also sees a danger in moving too fast. [redacted]

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Although Gromyko may generally back Gorbachev's policies of openness and discipline, he has repeatedly stressed the need for unity in the face of hostile forces abroad and warned that the current bold exposures of scandal may be viewed by the West as signs of weakness. Under Andropov, [redacted]

[redacted] Gromyko objected to wholesale revelations of corruption in high places and was influential in slowing the replacement of offending officials. [redacted]

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Gromyko also has reason to object to Gorbachev's indirect criticism of his tenure as Foreign Minister. His reputation was sullied by Gorbachev's attack on the foreign policy apparatus at a closed party conference in May 1986. [redacted]

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As long as he remains in the leadership, Gromyko is likely to be viewed as an elder statesman and a rallying point for the old guard. His role as their protector was dramatically underscored by official lists indicating that former Politburo members Tikhonov and Grishin now serve on Gromyko's staff. [redacted]

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Vladimir Shcherbitskiy. As the most obvious vestige of Brezhnev's Dnepropetrovsk clique, Ukrainian party boss Shcherbitskiy is a logical target for removal by Gorbachev. [redacted] Gorbachev would like to remove him, and articles in the central press have highlighted shortcomings in some of his

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subordinates and, thus, implicitly criticized his leadership. But his methodical implementation of Ukrainian economic and industrial programs that support the main lines of Gorbachev's policies, plus his strong leadership of that republic, make him a difficult target. Soviet officials in Moscow have told the US Embassy that Shcherbitskiy in fact has arrived at a private understanding with Gorbachev on his continued tenure. [redacted]

Nevertheless, Shcherbitskiy's public remarks suggest he differs with Gorbachev on consumer price subsidies, defense policy, and East-West relations. Furthermore, Shcherbitskiy's protection of his Ukrainian party lieutenants has at times conveyed the impression of defiance. For example, he defended the Cherkassy Oblast party leader who had been criticized directly by Gorbachev and later in *Pravda* for his delay in reinstating a local official fired for using innovative methods. [redacted]

Dinmukhamed Kunayev. Kunayev's removal as Kazakh First Secretary in December 1986 makes his removal from the Politburo a foregone conclusion, but at this writing he has not been officially removed from the latter. Kunayev, like Shcherbitskiy, is a former Brezhnev crony. He ran his republic as a personal fiefdom for over 20 years, allowing the growth of nepotism, laxity, and corruption. The long delay in removing him—almost a year—after serious criticism in the press demonstrates that he had a solid base of support in the republic [redacted] suggests that his supporters instigated the riots that erupted when he was removed. [redacted]

Outlook

Gorbachev has emerged as the most forceful party leader in over 20 years, but he is still at a critical juncture in consolidating his power. Further progress on his agenda probably depends on his ability to reshape the Politburo and make it more responsive to his will. There are a number of directions the leadership situation could take:

- *Gains by Gorbachev.* Gorbachev will be working hard to increase his power in the Politburo by adding supporters and removing members who oppose him. If he succeeds in bringing Yel'tsin or some

junior members of the Secretariat like Anatoliy Dobrynin, Georgiy Razumovskiy, or Aleksandr Yakovlev into full Politburo membership, prospects for pushing his agenda forward will improve.

- *Curtailment of power.* Gorbachev may be blocked in his future efforts to change the Politburo more to his liking, making it more difficult to advance his agenda. If he does not achieve some results from his policy initiatives over the next few years, Politburo apprehensions and disagreements could increase, resulting in curtailment of his authority, increased collectivity in the leadership, and a slowdown or diversion of his program. Bureaucratic resistance at lower levels would increase if officials perceived fluidity at the top. 25X1

- *Outright removal.* If Gorbachev insists on pushing programs that are not producing results and are beginning to create serious negative consequences, such as economic disruptions, or if the openness and criticism he advocates begin to reduce the regime's ability to control society, Politburo members might join together to remove him. We see no evidence, however, that Politburo members currently look to Ligachev or any other potential successor. For the time being Gorbachev appears to be, [redacted] 25X1

[redacted] "irreplaceable." [redacted] 25X1

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Gorbachev's "Radical Reform": A Progress Report [redacted]

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Taken together, the management reform decisions issued since the party congress in March 1986 give Soviet policy a strong push in directions that Gorbachev and reform-minded economists have recommended. But they also reveal the magnitude and complexity of the challenge Gorbachev faces and the degree of political compromise required in what he himself has described as a long, "step by step" process. [redacted]

Gorbachev's call for a "radical reform" of Soviet economic management at the party congress marked the first time such a dramatic remedy had been prescribed by any Soviet official in recent years. In the months since the congress, he has further escalated his rhetoric, comparing the reform to a "revolution" and describing it as a major turning point in Soviet history. His strong commitment to reform also is reflected in a changed political environment that has turned economists whose ideas were once considered outside the mainstream into establishment figures. [redacted]

Precisely what Gorbachev means by "radical reform," however, remains unclear. He has described the goals of his reform only in the broadest terms, calling it an attempt to make the economy "function dynamically, like a self-regulating system." Abel Aganbegyan, one of his chief economic advisers, has used similar language, telling Westerners that the reform will eliminate the "dictatorship of the producer" and make the economy more responsive to demand. [redacted]

Such statements make the thrust of Gorbachev's reform effort fairly straightforward but tell us little about its intended dimensions. When combined with his references to the primacy of centralized planning and the continued adoption of taut plans, they leave considerable ambiguities about how large a role market forces might be allowed to play and how much "self-regulation" is to be introduced. And Gorbachev's assertion that the reform is to be conducted "on

the march, as we go along" suggests that he himself has not yet fully come to grips with such questions. [redacted]

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Gorbachev's Vision

Although Gorbachev has yet to present a detailed blueprint for reform, he already has embraced many of the reform economists' ideas and called for a number of changes that, when pieced together, provide a clearer picture of the kind of reform he has in mind. Briefly stated, the changes he has been advocating would:

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- Streamline the central bureaucracy and shift its focus from day-to-day management to strategic planning and coordination.
- Increase the authority and responsibility of industrial and agricultural enterprises.
- Improve workers' incentives.
- Increase the flexibility of prices.
- Expand the role of personal initiative in both the state and private sectors. [redacted]

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Enacting the Reform

An impressive number of economic management decisions have been issued since the party congress, and almost all of them bear this Gorbachev imprint (see inset). Few of these decisions go as far as the bold ideas advanced in his speeches, however, suggesting that he may have initially underestimated both the complexity of the issues involved and the bureaucracy's capacity for resistance to change. [redacted]

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Reorganizing the Bureaucracy. A cornerstone of Gorbachev's reform effort has been his attempt to reorganize and streamline the central economic bureaucracy. His insistence that this bureaucracy shift its focus from day-to-day management to strategic planning and coordination has been reflected in a number of organizational changes since the congress. Central coordinating bodies—in the form of bureaus, state committees, and commissions—have been established

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Key Economic Management Decisions Since the Soviet Party Congress

| | |
|------------------|---|
| March | <p><i>Establishment of a Fuel and Energy Bureau under the Council of Ministers.</i></p> <p><i>Instructions to speed up the conversion to a two-tier management structure in all government agencies.</i></p> <p><i>Creation of a new State Committee for Computer Technology and Information Science.</i></p> <p><i>Decision to allow selected enterprises to engage in "wholesale trade" in means of production.</i></p> <p><i>Decree on improving the management of the agro-industrial sector.</i></p> |
| May | <p><i>Changes in the management of consumer goods production in light industry.</i></p> <p><i>Decrees prescribing penalties for "unearned income."</i></p> |
| June | <p><i>Measures to increase supplies for individual garden plots.</i></p> |
| July | <p><i>Management changes designed to improve the quality of industrial output.</i></p> <p><i>Decisions to expand the financial autonomy experiments at enterprises in Sumy and Tolyatti to encompass additional plants (July, August, September).</i></p> <p><i>Establishment of a new Ministry of Atomic Engineering.</i></p> |
| August | <p><i>Reorganization of the construction sector.</i></p> <p><i>Announcement of plans for new legislation during 1986-90, encompassing a broad range of activities from pricing to individual labor.</i></p> |
| September | <p><i>Reorganization of foreign trade.</i></p> <p><i>Reform of the wage structure.</i></p> |
| October | <p><i>Approval of the financial autonomy experiment at the Kuban Agro-Industrial Combine and an announcement that 14 similar combines are to be established.</i></p> <p><i>Establishment of a Social Development Bureau under the Council of Ministers.</i></p> <p><i>Regulations authorizing the formation of self-financing cooperatives for the collection and utilization of recycled material.</i></p> |
| November | <p><i>Law on individual labor activity.</i> <input type="text"/></p> |

to oversee ministries responsible for energy, construction, "social development," and foreign trade. Two new organizations—the State Committee for Computer Technology and Information Science and the Ministry of Atomic Energy—also have been established to perform work that previously had been scattered among several different agencies.¹

These moves all seem aimed at improving Moscow's ability to coordinate activities in a given economic sector, but they also have created yet another management layer and, unlike the earlier reorganization of the agro-industrial sector, have done little to meet Gorbachev's stated goal of paring the size of the economic bureaucracy. The agro-industrial reorganization, which eliminated a number of ministries, proved to be highly disruptive, and hopes for reducing the size of the bureaucracy now appear to rest on the completion of conversion to a "two-tier" management structure advocated by Gorbachev. This step eliminates the all-union industrial associations—the bureaucratic layer between the ministries' higher management and the production enterprises.

Increasing Enterprise Autonomy. In his effort to increase the authority and responsibility of industrial enterprises, Gorbachev's most significant achievement may turn out to be a new law, scheduled to be adopted at the next session of the Supreme Soviet, that codifies the enterprises' rights and gives them legal protection from bureaucratic meddling. (It remains to be seen, of course, how strictly the law's provisions will be enforced.) Other measures are more limited in their coverage. They give selected enterprises the right to:

- Deal more directly with their suppliers, rather than funneling their requirements through authorities in Moscow.
- Trade directly with foreign firms.
- Base their production plans on trade orders from customers.

¹ Two important organizational changes preceded the congress. The Machine Building Bureau was established in October 1985 to oversee the work of the ministries in that sector, and the State Agro-Industrial Committee was created the following month by merging the ministries and state committees responsible for agricultural output.

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- Exercise greater financial autonomy and retain a larger percentage of their profits.

Although these measures represent a significant step toward increased enterprise autonomy, many of them apply to only a small number of enterprises or contain other restrictions that limit their impact:

- The decree allowing enterprises to acquire their supplies through "wholesale trade" applies primarily to enterprises of "nonproduction" ministries, like the Ministry of Culture, and excludes most of those in the industrial sector, where the supply problems Gorbachev has complained about have been most acute.
- Although 70 enterprises have been given the right to engage directly in foreign trade, that right is limited to "above-plan" production, and the enterprises can keep part of the resulting revenues only if the Foreign Trade Bank approves of their intended use of the funds.
- The decree allowing enterprises to base their production plans on orders from their customers applies only to the light industry sector and is weakened by its failure to allow enterprises to choose their own suppliers and by the continued priority assigned to centrally set targets.
- Only a limited number of enterprises will switch next year to the kind of "complete financial autonomy" now exercised by plants in Sumy and Tol'yatti, and that autonomy will not include any price-setting authority.²

Decentralizing Agricultural Authority. As part of his effort to decentralize authority in the agricultural sector, Gorbachev told the party congress that collective and state farms should be given greater control over the sale of their above-plan production. He conveyed the impression that a major reform on this issue was in the works by calling it a contemporary version of Lenin's "tax in kind"—a historic measure

² The Volga Automobile Plant in Tol'yatti is allowed to keep 52.5 percent of its profits, while the Frunze Machine-Building Production Association in Sumy can keep 71 percent. Both have been given discretionary authority in the allocation of their profits for technological reequipment, incentives, and other purposes.

that put an end to the state's confiscation of all farm surpluses and established stable, relatively low procurement targets.

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When the decree was published in March, its chief decentralizing effect was to allow local officials to set their own targets for produce intended for "local supply" and to exchange food products with other regions, instead of channeling their requests through Moscow. Farms were also given the right to sell an increased percentage of their planned production at collective farm markets and through consumer cooperatives. The tax-in-kind symbolism was completely absent from the language of the decree, however, and there were no indications that the state's procurement targets would be significantly lowered—a necessary step for any major decentralization of production controls.

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Another step toward agricultural decentralization came in September, when Gorbachev visited the Kuban Agro-Industrial Combine—the site of a well-known experiment in agricultural self-financing—to give the experiment his personal endorsement.³ His visit was followed by Politburo approval of the experiment and an announcement that 14 similar combines would be formed. Here, too, however, the continuation of high state procurement targets serves to limit the discretionary authority that can be exercised by such combines, even on an experimental basis.

Improving Workers' Incentives. Gorbachev's chief accomplishment in the area of workers' incentives has been the passage of a wage reform designed to reverse the leveling trend of the Brezhnev years and create a closer relationship between the workers' pay and the amount and quality of work they produce. Although this reform amounts to a pay increase for many categories of workers, no state funds have been set aside for that increase. The effectiveness of the reform

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³ The Kuban Agro-Industrial Combine includes all the farms and supporting agencies in the Timashevskiy district of Krasnodar Kray and is supposed to be self-supporting. After selling a designated portion of its output to the state, the combine can sell the rest through its own network of food stores at prices it sets itself.

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will depend on whether the enterprises can raise productivity enough to finance these increases from their own resources. [redacted]

Increasing Price Flexibility. Although Gorbachev has never suggested abandoning the system of administered prices, he has called for more "flexible" prices that reflect not only the costs of production but also other factors such as social utility and demand. The agro-industrial decree takes a modest step in that direction by allowing republic officials to set their own procurement prices for individual farm products, as long as the total budget is not exceeded. The timidity of this move and the fact that it has had no parallel in the industrial sector, however, [redacted]

[redacted] pricing policy remains a highly contentious issue. [redacted]

Encouraging Personal Initiative. Gorbachev's endorsements of family farms, individual garden plots, and the broader use of cooperatives in consumer services also have offered encouragement to those economists who favor an expansion of personal initiative. His promise to provide greater scope for individual initiative has already brought new legislation sanctioning expanded business opportunities for individuals and small groups outside the state sector, especially in consumer goods and services. An October decree allows the formation of profit-sharing cooperatives to collect and sell recycled materials, and a new law passed in November sanctions moonlighting by individuals in a range of activities from cottage industries to medical services. The impact of the decree on cooperatives is limited, however, by its emphasis on the "experimental" nature of the cooperatives and by restrictions on the categories of people allowed to form them.⁴ And it remains to be seen whether the new law on individual labor activity can undo the damage caused by earlier decrees on "unearned income" that have caused widespread confusion about the legalities of certain activities and have served to discourage individual initiative. [redacted]

⁴ These newly established cooperatives are to be composed primarily of retired people, housewives, and students. Factory and office workers may participate only in their free time. [redacted]

Implementing the Reform

Many of these measures have proved even more difficult to implement than they were to enact. Gorbachev's reorganization of the economic bureaucracy, for example, has not gone smoothly. The dust has yet to settle from the agro-industrial reorganization that started nearly a year ago, and the foreign trade bureaucracy is said to be in considerable disarray. [redacted]

[redacted] the Fuel and Energy Bureau established in March still has no clear mandate. And the State Planning Committee (Gosplan) has been slow to restructure its work. [redacted]

Gorbachev complained that Gosplan officials were continuing to "do what they want to do" and seemed to recognize "no general secretaries or central committees." [redacted]

Gorbachev's effort to give enterprise managers greater autonomy apparently has been encountering resistance not only from the expected quarters—the ministries—but also from the enterprise managers themselves. [redacted] he complained that many enterprise directors were writing to the Central Committee to say: "We don't need rights and independence. Leave everything the way it was." [redacted]

Conclusions: An Incremental Reform

Despite these problems, Gorbachev seems determined to persevere, and a published list of future measures now in the pipeline—from regulations governing Gosplan's operations to a revised pricing system—suggests no scaling down of long-term objectives. His economic advisers and other Soviet economists have estimated that the "first phase" of the reform will not be complete until 1990, and Gorbachev [redacted] it could take "generations" for the restructuring process to be completed. With that kind of timetable, he probably regards the measures adopted thus far as steps that lay the necessary groundwork for more far-reaching change. [redacted]

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Gorbachev's announced plans to expand and put more teeth in some of the decrees initially adopted (such as those on wholesale trade and agro-industrial management) clearly indicate that he views this reform as an incremental process. Whether dictated by political realities or his own uncertainties, such an approach has both benefits and drawbacks:

- By moving at a gradual and deliberate pace, he can avoid charges of recklessness and comparisons with Khrushchev's "harebrained" schemes.
- On the other hand, this incremental approach may cost him some of his reformist supporters and produce only marginal near-term results, providing more ammunition to the opposition.

This incrementalism also severely limits our ability to predict how far Gorbachev will be willing, or able, to push his ideas. If pushed to their extremes, they would create a radically different Soviet economy. The evidence thus far, however, suggests that his efforts to improve the system will be something of a trial-and-error process (he has openly predicted that "mistakes will be made") and that the dimensions of the reform ultimately will be determined by a combination of the economic results he obtains and his own political abilities.

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Restructuring the Government Apparatus [redacted]

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General Secretary Gorbachev has assigned a high priority to restructuring the government, a task that he views as essential to the success of his economic revitalization program. He has singled out the ministerial bureaucracy—with its organization along narrow departmental lines and its addiction to detailed management of the economy—as the main obstacle to his plans to stimulate the kind of initiative that he believes is needed to spur productivity, accelerate growth, and make Soviet products competitive in the world market. [redacted]

- Enterprises of the machine-building and manufacturing branches are to be allowed considerably more managerial and financial autonomy and assessed on the basis of contract fulfillment, not gross output indicators.
- Light industry, food, and other consumer-oriented branches would be the most decentralized. Enterprises in this sector are to be allowed to shape their own plans in response to consumer demands, and some role for market forces permitted. [redacted]

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Gorbachev's Strategy

Gorbachev's strategy is at once centralizing and decentralizing: he wants more effective central control over the main directions of the economy, while leaving more of the day-to-day management to lower levels where it can be most effectively exercised. His program includes the creation of superagencies answering directly to the Council of Ministers to oversee complexes of related ministries, a major reduction in the size of the ministerial apparatus, and a change in the ministry's role from a supervisor of enterprise operations to a scientific and technological center. The expansion of enterprise autonomy and the establishment of new interministerial bodies are also intended to free the State Planning Committee (Gosplan) from detailed planning and enable it to concentrate on long-term strategic issues. [redacted]

Gorbachev has also pushed the restructuring of management with an eye to political goals. It should provide a useful tool for rooting out personnel wedded to traditional ways of managing the economy and replacing them with officials who are more open to new approaches and more loyal to Gorbachev. [redacted]

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Carrying Out the Plan

As was the case with the last major effort to restructure the bureaucracy in 1965, the centralizing aspects of Gorbachev's plan are being accomplished first. The decentralizing measures remain mostly on the books. Superministries headed by deputy chairmen of the USSR Council of Ministers have been established for a number of key sectors of the economy, including machine building, agro-industry, construction, fuel and energy, and foreign trade. [redacted]

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[redacted] the regime intends to take a differentiated approach to decentralizing decisionmaking authority, with some sectors affected more than others:

- Basic industries such as energy resources and the extraction of raw materials will continue to be subject to a high degree of centralized direction and assigned production quotas.

The regime does not appear to have a standard organizational model in mind for these overarching bodies. State committees with broad planning and managerial authority have been created for the agro-industrial and construction sectors; bureaus with more limited authority have been established for the machine-building and energy sectors; and a commission that apparently serves as a policy-coordinating body but has no managerial responsibilities has been created for the foreign trade sector. [redacted]

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The reorganization has been under way for more than a year and is far from complete. Gorbachev and his allies have moved cautiously in carrying it out, probably to minimize confusion and the possibility of conservative backlash. Gorbachev's repeated complaints about the pace of change, and the limited nature of some of the measures taken, strongly suggest that bureaucratic foot-dragging has contributed to the evident compromise and delay. [redacted]

Agro-Industrial Sector. The agro-industrial reorganization, one of the first undertaken, still stands as the most far reaching. A state agro-industrial committee, Gosagroprom, was set up in November 1985, merging five ministries, one state committee, and components of two other ministries. A close Gorbachev associate from Stavropol', Vsevolod Murakhovskiy, was appointed head of the state committee and also named a first deputy premier. Within several months the administrative apparatus had reportedly been reduced by 47 percent; 250 main administrations and associations had been consolidated into 10 departments, each with several scientific-production associations attached. A similar reorganization was undertaken at the regional levels, and greater responsibility for planning and managing the local food supply is scheduled to be transferred to local officials in 1987. [redacted]

The gross inefficiencies existing in agriculture and the clear advantages of decentralized management made this sector a prime target for reform. Moreover, Gorbachev's long and close identification with agriculture and his strong political authority in the area probably made it possible for him to initiate changes here that would have been difficult to sell in other parts of the economy. Soviet spokesmen say that agriculture will continue to lead the way in the introduction of reforms. [redacted]

Machine Building. The civilian machine-building sector—a sector critical to Gorbachev's attempt to modernize antiquated plant and equipment—was reorganized at the same time. A new bureau overseeing the sector was announced in late September 1985, but, in contrast to the speed with which Gosagroprom was formed, it was more than three months before the new

arrangement began to take shape. None of the 11 civilian machine-building ministries was abolished as in the case of Gosagroprom, nor does the bureau appear to have comparable managerial authority. The bureau is empowered to distribute resources within the machine-building sector but reportedly will not have decisionmaking and planning responsibilities except for major projects that individual ministries have difficulty coordinating. [redacted]

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The newly appointed head of the bureau, Ivan Silayev, said in an interview last March that the bureau would be small and organized along functional lines to enable it to concentrate on ensuring a unified technological policy industrywide. A knowledgeable Soviet economist, explaining why a "bureau" was chosen rather than the Gosagroprom-type structure, stated that the problem in machine building is not that there are 11 ministries, but that the ministries do not specialize. Too many are engaged in making basic products and the bureau's job would reportedly be to correct this. [redacted]

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Silayev also reported that the all-union industrial associations—a level of management between the ministries and enterprises that Gorbachev claims did little more than generate paperwork—had been abolished and the numerical strength of the management apparatus reduced. Soviet economist Abel Aganbeyan—a reputed adviser to Gorbachev—told Western journalists in a July interview that there had been an 18-percent reduction in the machine-building bureaucracy. [redacted]

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Fuel and Energy. A Bureau for the Fuel and Energy Complex was established in March 1986. [redacted]

[redacted] it would have a troubleshooting role and that its main functions would be to ensure effective coordination between ministries in carrying out energy-sector projects. There has been little mention of its activities [redacted] since. As recently as last September, a Soviet economist claimed that the bureau was still in the initial phase of organization and its responsibilities had not yet been decided. [redacted]

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Construction. A reorganization of the construction sector was unveiled in August, apparently after much debate. [redacted]

[redacted] plans for reorganizing the construction sector were undergoing the fourth draft. Gorbachev later said there had been 10 different versions. The reorganization marks the first serious attempt in more than 20 years to introduce some order into the management structure of this much criticized and troubled sector. The existence of hundreds of irrationally organized construction organizations has contributed to perennial problems of duplication of effort, poor project selection, wasted investment, and shoddy quality. [redacted]

The reorganization appears aimed at strengthening centralized direction while allowing regional authorities more control over local projects. Three existing construction ministries were reorganized into regionally focused ministries—one for the Urals and western Siberia, one for the northern and western regions, and one for the southern regions. The Ministry for Construction in the Far East and Transbaikalian Regions was renamed the Ministry of Construction in the Eastern Regions of the USSR. The regional ministries apparently were created to reduce the number of conflicting and overlapping agencies with which local officials must deal. Four specialized construction ministries remained unchanged. [redacted]

The role of the State Committee for Construction Affairs (Gosstroy) was expanded to resemble that of Gosagroprom. Previously, [redacted] Gosstroy had virtually no power and was ignored by the construction ministries. Clear lines of responsibility [redacted] have been established, and now the ministries will be reporting to the committee. Party secretary Lev Zaykov emphasized the same point in a recent Leningrad speech. The committee's decisions, [redacted] are "mandatory" for all participants in the construction process. [redacted]

Foreign Trade. A reorganization of this sector in August 1986 brought an end to the Ministry of Foreign Trade's (MFT) long-held monopoly over all foreign trade activities. The move reportedly was strongly opposed by the ministry and came only after months of heated debate. A state commission for

foreign trade was established under the Council of Ministers. It is made up of the heads of the major ministries and departments engaged in foreign trade activities. The commission is to serve as a policy-coordinating body and is chaired by recently appointed Deputy Premier Viktor Kamentsev. [redacted]

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At the same time, more than 20 ministries and 70 production enterprises have now been granted the right—although one that is fairly limited—to engage directly in foreign trade. To carry out this trade, they will have foreign trade organizations placed under their jurisdiction, many of which will be transferred from the MFT. The ministry will retain its function of trading in the most important raw materials and foodstuffs and continue to oversee much of the foreign trade activity. [redacted]

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Breaking the MFT's monopoly over foreign trade is tied to Soviet efforts to expand exports of manufactured goods and force Soviet producers to be competitive in the world market. In addition, it is designed to improve the efficiency of importing Western technology by giving end users more say in contract negotiations. Under the current system, negotiations are drawn out and purchases often do not meet the requirements of end users. [redacted]

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Social Development. In the most recent development, the Council of Ministers established a Bureau for Social Development in November 1986, headed by First Deputy Premier and Politburo member Geydar Aliyev. While there has been no formal announcement of its responsibilities, Gosplan chief Nikolay Talyzin implied in his November Supreme Soviet speech that the bureau would have broad oversight over the various ministries and institutes concerned with consumer goods and services, health, education, and social policy. [redacted]

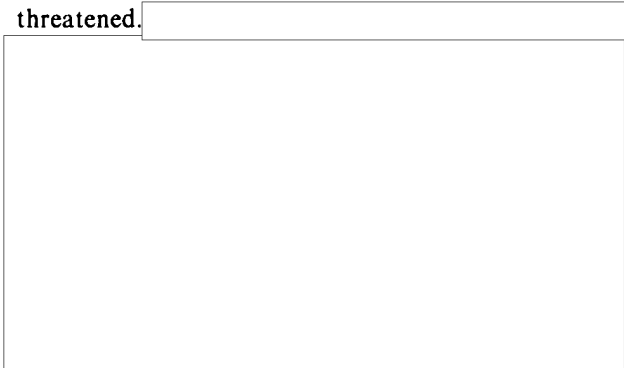
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Only the Beginning

The reorganizations announced so far may mark only the beginning of a more protracted and extensive assault on the central ministries. There is evidently substantial agreement within the top leadership on the

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need for deep cuts. Some of Gorbachev's colleagues may in fact be more zealous in wielding the ax than he is—or at least that is the impression that he may be trying to leave, perhaps because there has been a storm of complaints from bureaucrats whose jobs are threatened.



Superagencies overseeing other major sectors of the economy are evidently planned. Party secretary and Politburo member Lev Zaykov, in a recent speech in Leningrad, strongly implied that the regime was considering extending the superministry structure throughout the government. He mentioned four other complexes in addition to the ones that already have oversight bodies: metallurgy, chemical industry, transportation, and communications.

Transportation. The transportation sector is a prime target. It has frequently been mentioned by Soviet officials as one of the sectors needing better coordination, along with agro-industrial and machine building, and transportation would be the next sector to be reorganized. Obviously there has been a hitch. there is strong opposition—led by the Ministry of Railways—to the creation of a coordination body within the sector.

Gosplan. In his Leningrad speech, Zaykov also provided some information on plans for the reorganization of Gosplan, a reorganization that is essential to Gorbachev's overall strategy for restructuring the management of the economy but which has been slow in getting under way. Zaykov indicated that subdivisions were being created in Gosplan for each economic complex along the same lines as the new interministerial coordinating bodies. This, he said, would help

Gosplan overcome its "narrowly sectorial and departmental approach" and allow it to concentrate on long-term strategic planning. In the future, he said, Gosplan would assign targets and allocate resources to each complex as a whole, while the responsibility for detailed branch plans would be shifted to the leadership of the complexes to be worked out with the individual ministries.

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While Zaykov did not accuse Gosplan of outright foot-dragging, Gorbachev's increasingly harsh attacks last summer and fall clearly reflect enormous frustration with the committee's reluctance to change its mode of operation. Gorbachev is reported to have referred to Gosplan as a law unto itself:

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For them, there is no General Secretary, no Central Committee. They do as they want. What they like best is to sit in their offices and have people come to them and ask for a million rubles, 20 tractors, or 40,000 whatever.

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Assessing the Results

It is too soon to judge with any certainty how well the organizational restructuring will ultimately measure up to the goals Gorbachev has set for it. Much still remains to be put in place, and important decisions on the functions and structure of some of the new agencies are still to be made. Past efforts to curb the power of the central bureaucracy have been short lived. The ministries and other defenders of centralization demonstrated great tenacity in rebounding from Nikita Khrushchev's 1957 attempt to replace the central economic ministries with regional planning and management councils and in frustrating Aleksey Kosygin's 1965 effort to increase the autonomy of factory managers.

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In the short run, the process of reorganization, not surprisingly, has produced reports of considerable confusion and disarray. Gosagroprom, which has been in operation the longest, still appears to be going through a painful shakedown phase. Party secretary

for agriculture Viktor Nikonov complained in a journal article this summer that the functions of the new departments in Gosagroprom and the duties of each worker had not yet been clearly defined, resulting in a lack of coordination and efficiency and an unwillingness on the part of many specialists to accept responsibility for resolving questions.

[redacted]

Such problems in Gosagroprom, even if only temporary, are likely to have played into the hands of conservative bureaucrats, helping to fortify arguments for caution and delay.

[redacted]

The reorganization has probably produced political dividends for Gorbachev. It has helped him and his supporters purge the ministerial bureaucracy and bring in new people who the leadership believes will be more competent and loyal managers. Nearly all the officials brought in to head the new superministries—most of them named simultaneously as deputy premiers—are new (see table). Only two of the 14 deputies are holdovers from the Brezhnev era, and nine deputies have been named since Gorbachev became General Secretary.

There has been an impressive reduction in the lower ranks of the government bureaucracy as well. The cuts here, however, have been unevenly distributed, ranging from the 47-percent reduction claimed for Gosagroprom to the 18-percent cut reported for the machine-building sector.

further personnel cuts in the government will be vigorously pursued.

[redacted]

It remains to be seen whether the overall reduction in the government bureaucracy will ultimately reach the scope that the leadership reportedly envisages. Many of those released will attempt to circumvent the reduction orders.

[redacted]

**Presidium of the USSR
Council of Ministers**

| | Date of Appointment | Position |
|------------------------------|---------------------|---|
| Chairman | | |
| Ryzhkov, Nikolay I. | 28 Sep 85 | |
| First Deputy Chairmen | | |
| Aliyev, Geydar A. | 24 Nov 82 | Chairman, Bureau for Social Development |
| Murakhovskiy, Vsevolod S. | 1 Nov 85 | Chairman, State Agro-Industrial Committee (Gosagroprom) |
| Talyzin, Nikolay V. | 14 Oct 85 | Chairman, State Planning Committee (Gosplan) |
| Deputy Chairmen | | |
| Antonov, Aleksey K. | 19 Dec 85 | Permanent Representative to CEMA |
| Batalin, Yuriy P. | 21 Dec 85 | Chairman, State Construction Committee |
| Gusev, Vladimir K. | 19 Jun 86 | |
| Kamentsev, Vladimir M. | 1 Sep 86 | Chairman, State Foreign Economic Commission |
| Maslyukov, Yuriy D. | 16 Nov 85 | Chairman, Military-Industrial Commission (VPK) |
| Shcherbina, Boris Ye. | 14 Jan 84 | Chairman, Bureau for the Fuel and Energy Complex |
| Silayev, Ivan S. | 3 Nov 85 | Chairman, Bureau for Machine Building |
| Vedernikov, Gennadiy G. | 19 Jun 86 | |
| Voronin, Lev A. | 15 Nov 85 | Chairman, State Committee for Material and Technical Supply (Gossnab) |

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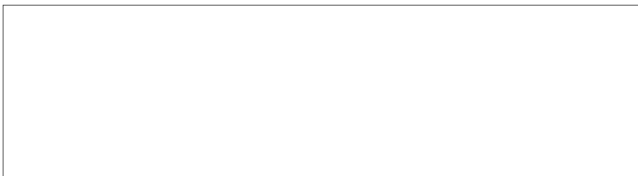
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Expanding the rights and responsibilities of enterprises, moreover, will require progress on other elements of Gorbachev's program that are likely to prove just as controversial and disruptive as the bureaucratic restructuring:

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Some streamlining of the bureaucratic structure has also been achieved. One layer of management—the all-union industrial associations—is being eliminated, not just in machine-building ministries but throughout the industrial ministries. The net gain achieved by the elimination of this layer may be debatable, given the simultaneous creation of a layer of oversight bodies above the ministries. In addition, the functions of the all-union industrial associations and many of its personnel have in some cases simply been shifted to the ministries. Only the Gosagroprom reorganization appears to fully qualify as the kind of "radical" restructuring that Gorbachev has called for.

- New legislation to strengthen enterprise legal rights, due to be published for nationwide discussion soon, will have to give enterprises an effective mechanism for the redress of grievances against the ministries.
- The regime will have to make more use of economic levers such as finance and credit, establish a flexible price mechanism, and solve the problem of chronic supply shortages if enterprises are to function effectively in a less centrally structured environment.



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As the new superministries begin to function more smoothly and the reorganization takes shape, it could well produce some of the hoped-for improvement in interbranch coordination and assist central authorities in getting a grip on broad economic tasks. Whether it will ever produce the larger and more elusive goal—redirecting the center away from detailed involvement in day-to-day management and significantly expanding enterprise authority—is another matter. Soviet spokesmen contend that with fewer bureaucrats at the center they will no longer be able to interfere in the day-to-day running of the enterprises. The experience of Gosagroprom, however, offers little encouragement that the reorganization is producing such an effect in the near term. Party secretary Nikonov, in his journal article last summer, charged that the new committee was continuing to decide questions that should be resolved at the local level, just as the former ministries had. Some economists are arguing that the only way to prevent the branch ministries from doing this is to abolish them, leaving only functional ministries and a few broad intersectoral bodies.

Ultimately none of these measures may be sufficient if the leadership continues to make contradictory demands on the ministries, directing that they refrain from micromanagement of enterprises while still holding them responsible for enterprise performance. Gorbachev himself will probably have to stake out a more unambiguous position on ministerial responsibilities than he has so far in order to save his reform program from the same fate that befell its predecessors.

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Gorbachev's New Directions in Propaganda and Culture [redacted]

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Top Kremlin leaders have recognized for some time that greater candor in the media and increased cultural excellence are needed to make regime indoctrination more effective. Andropov initiated publication of reports on Politburo meetings during his brief tenure, and Chernenko talked about the need to discuss regime shortcomings more frankly. Gorbachev, however, has promoted a much more systematic and far-reaching implementation of a policy of *glasnost* (openness) and cultural revitalization to counter the attraction of "bourgeois" culture and Western propaganda and to increase his own freedom for maneuver in addressing the nation's problems. Publicly castigating Soviet propaganda as "stagnant" and much of the culture as "dull," he has taken steps in less than two years as General Secretary to loosen ideological constraints on cultural life, to replace most of the key personnel in the bureaucracies controlling propaganda and the arts, and to open up a limited discussion of domestic problems in Soviet media. [redacted]

Glasnost in the Media

Gorbachev has encouraged the media to engage in investigative reporting and to solicit criticisms from concerned citizens in order to provide more factual accounts of "negative" domestic events and to promote more responsible discussion of social problems. As a result, the Soviet public now receives much more information than was previously provided by official sources on such sensitive topics as crime, the black market, and alcohol abuse. Official statistics for 1985 recently released by the Central Statistical Administration included figures on the grain harvest for the first time in five years and on infant mortality for the first time in 12 years. Officials told US Embassy officers that Gorbachev's policies of *glasnost* and accelerating economic growth require the publication of more data. [redacted] censorship practices have been changed: journalists can now express opinions that do not reflect official views, and editors are themselves completely responsible for what they print without approval from external censoring organizations. [redacted]

Gorbachev's widely publicized informal conversations with citizens in streets and workplaces during his visits to various areas of the USSR have given the public a graphic impression of *glasnost* in action as he calls local officials on the mat and hears the complaints of the man in the street. There are many news stories about incompetent and corrupt officials and more extensive explanations of their malfeasance and punishments. The media also are providing more discussion of Soviet troop activity in Afghanistan and live coverage of such events as a space launch. In recent months Soviet television has carried several programs that offered Western spokesmen the rare opportunity to advance their viewpoints on international affairs in some detail. The television program *International Panorama* on 19 October—devoted to a Soviet-West German roundtable on arms control—featured substantial statements by editors and government figures from both countries. [redacted]

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The Soviet media have become more informative with respect to internal natural disasters and catastrophic accidents since the Chernobyl' events. The regime's inability to control information about the accident may have heightened debate within the Politburo and ultimately led the leadership to conclude that suppression of negative information is counterproductive. In ensuing months the Soviet media have reported promptly not only such incidents as the sinking of a Soviet submarine in the Atlantic—an event independently publicized in the West—but also a fatal bridge collapse in Latvia, a serious fire with casualties at the Russian Orthodox seminary at Zagorsk, and the attempted hijacking of an Aeroflot plane near a remote city in the Urals. None of the latter events involved foreigners, nor was it likely that they would become known in the West. [redacted]

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Certain themes that have for many years been taboo in the Soviet media and never mentioned in public by officials have quite suddenly become subjects of open

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discussion and intense public concern. After years of denying that a drug problem exists in the Soviet Union, the regime has in recent months promoted a press and television blitz on the horrors of drug abuse, particularly as it affects Soviet youth. For example, *Moscow Komsomol* in mid-April presented harrowing portraits of young addicts, and Moscow television aired a scheduled 90-minute live phone-in program on 25 October, concerning drug addiction in schools, that featured questions from troubled parents and frank answers from experts in medicine, psychology, and law. At the end of the program, the moderator commented that during the hour and a half, calls had been received from 536 people from 39 cities and towns. [redacted]

The role of religion in Russian history and culture, and its place in modern Soviet society, are now being more openly—and sometimes positively—examined, particularly in the arts. A number of recently released books and films use religious symbolism quite openly to depict a moral rectitude that is badly needed in a corrupt and spiritually empty society. Several prominent writers have been accused of “flirting with religion” because their work contains a positive treatment of religion and believers. [redacted]

[redacted] support is growing among artists and intellectuals and in the bureaucracy for the ideas of Russian nationalist writers who glorify traditional institutions, including the Orthodox Church. [redacted]

In a closely related development, there have been a number of signs that the writing of the history of the USSR is also under review: favorable references to Lenin’s New Economic Policy (NEP)—as a positive move rather than a maligned necessary evil—have appeared prominently in the press, and Gorbachev himself mentioned Lenin’s determination to push NEP in a 31 July speech. A recent letter to *Sovetskaya Rossiya* from a historian and party member demanded that Soviet historians of the October Revolution stop writing “threadbare and inexpressive” works that hedge sensitive questions and aid the USSR’s “ideological enemies.” [redacted]

The treatment of the emigration question has also become more open and sophisticated. This fall the play *40, Shalom Aleichem Street*—revolving around the split of a Jewish family of the 1970s over the

issue—began its second successful year on the Moscow stage. Although the play clearly presents emigration as wrong and foolish, the choice is shown to be a difficult and complex one, and Jewish characters are portrayed in a positive manner. Even more striking was the uncut and uncensored airing by Moscow television on two occasions in September of a 1983 American documentary film concerning Jewish immigrants from the USSR in Brooklyn. The emigres’ confusing and often negative experiences have been portrayed in Soviet media on a number of occasions, but *The Russians Are Here* broke new ground by showing many positive features of the United States. Gorbachev’s argument that problems, if denied, only become worse was spelled out in a 24 September *Literaturnaya Gazeta* article stating that “until recently” the “lack of frankness” was one reason that “Western propaganda” had been able to lure many Soviets to emigrate. [redacted]

A Cultural Renaissance

The cultural scene in the Soviet Union is now more lively than at any time since Khrushchev’s cultural “thaw” during the height of de-Stalinization in the 1950s. The sense of *deja vu* is heightened by reissuance of works by leading liberal authors of that period and the renewed public prominence of several literary figures from those years—Yevgeniy Yevtushenko, Andrey Voznesensky, and Bulat Okudzhava—who were long in political disfavor. A number of Soviet journals are publishing excerpts from the novel *White Clothes* written in the mid-1960s by Vladimir Dudintsev, which exposes the charlatan biologist Trofim Lysenko, a favorite of Stalin. Dudintsev’s reemergence into the limelight is an important signal because he played a major role in the 1950s thaw. He has been linked with the new head of the Central Committee’s Culture Department, Yuriy Voronov. Persistent campaigns by the liberal cultural and intellectual communities have led to the rehabilitation of a number of controversial artists suppressed by Stalin—notably the poets Anna Akhmatova and Nikolay Gumilev—as well as publication of works by more recent giants Boris Pasternak and Vladimir Nabokov, whose writings have until now been available to Soviet readers only in samizdat. [redacted]

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**Controversial Films, Books, and Plays
Released Under Gorbachev**

Films

- *Agonia*—released after many years on the shelf. Portrays the 1917 Revolution as a spontaneous popular rebellion rather than a triumph of Bolshevik organization. Striking for its tones of Russian nationalism and even monarchism.
- *Roadblock*—made in 1971 but never before released. Depicts the persecution of a returning Soviet partisan who had been forced to join the Nazis.
- *Double Trap*—a realistic crime drama that shows the corruption of a group of Latvian youths and includes pornography.
- *Fouette*—a complex psychological study of the world of ballet that portrays a choreographer's struggle against official censors and recalls Mikhail Bulgakov's controversial novel *Master and Margarita*.
- *Repentance*—a stunning Georgian film, replete with religious motifs, made in 1984 and recently premiered for select audiences. The first Soviet film to portray Stalin and Beria as responsible for the purges of the 1930s. Production of the film was reportedly supported by Shevardnadze, then party chief in Georgia, and—according to film sources—its lease was personally authorized by Ligachev.

Literature

- Two-volume collected works of Boris Pasternak, whose controversial novel, *Doctor Zhivago*, will also be published in the "next couple of years," according to a Soviet writer.
- A collection of stories by the *Village Writers*, a group of authors popular in the 1950s and 1960s because of the forthright treatment of rural problems and overtones of traditional Russian nationalism in their writings.
- Works of several important writers of the early 20th century who have been rehabilitated, including Marina Tsvetaeva, Velimir Khlebnikov, and Mikhail Bulgakov.

- *The New Appointment*—a novel by Aleksandr Bek (deceased) originally scheduled for publication in 1966. A thinly disguised portrayal of Stalin's lieutenants that unmistakably asserts Stalin's primary responsibility for the terror.
- *The Children of the Arbat*—Anatoly Rybakov's novel about the year 1934 and the onset of the purges. Written 20 years ago and scheduled for publication next spring, it features Stalin as a major character.

Theatre

- *Silver Anniversary*—a morality play that depicts a corrupt party official, a muckraking journalist who is fired for exposing a scandal, and other unsavory functionaries. Attended by Gorbachev, Yel'tsin, Ligachev, and reportedly made mandatory viewing for party congress delegates.
- *Dictatorship of Conscience*—a mock trial of Lenin that exposes various tyrannical figures, drawn from fiction and history, as having distorted socialist principles by their brutality.
- *Speak Out!*—based on the 1950s writings of Valentin Ovechkin (a popular writer on the rural scene and a Khrushchev favorite). Calls for open discussion of past party wrongdoings. The action takes place in front of a gigantic statue of Stalin.
- *Brothers and Sisters*—raises the specter of Stalin's repressions against the backdrop of popular wartime heroism and suffering.
- *Sarcophagus*—title alludes to the entombment of the Chernobyl' reactor. A searing indictment of incompetence and cowardice of some plant officials and local authorities. Its appearance so soon after the plant disaster suggests high-level support.

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Gorbachev's Goals . . .

Gorbachev's reasons for moving toward *glasnost* in propaganda and culture are pragmatic. He is using frankness to marshal public opinion in support of policy initiatives, combat widespread popular cynicism and alienation from the system, raise citizens' awareness, open up debate on economic reform, and promote the "radical change" in attitudes essential to economic progress. Gorbachev apparently also recognizes that Soviet society is vulnerable to outside influences, that Soviet artistic offerings must be interesting if they are to compete with Western culture for the Soviet audience, and that necessary technological advances now make it impossible for central authorities to control information flow within the country.

[redacted]

There are also political motivations in Gorbachev's espousal of *glasnost*. Media exposes of corrupt and incompetent officials and Gorbachev's well-publicized personal jibes during walkabouts serve to pressure foot-dragging midlevel officials to support his policy initiatives. He may also expect that loosening controls on artists and the media may favorably impress foreign opinion. [redacted]

. . . And Methods

Gorbachev appears to be relying on interrelated changes in policy and personnel to achieve his goals for franker discussion of tough issues and higher quality cultural offerings. In addition to relaxing ideological strictures and initiating measures to increase media and artistic outspokenness, he pushed forward an experimental reorganization of Soviet theatres that moves control over repertoire and finances from the center to individual theatre management. He has created new societies for music and theatre, evidently to circumvent a reluctant bureaucracy. The regime has also established a new "self-governed" Cultural Foundation, run on public donations, to promote amateur, youth, and rural institutions of the arts and preserve cultural and historical monuments. [redacted]

Gorbachev has replaced most key Brezhnev holdovers in media, propaganda, and cultural bureaucracies. New heads of the Central Committee Cultural and Propaganda Departments and a new Minister of

Culture have been named. More liberal and outspoken editors have been appointed to head 13 important central newspapers and journals—including *Kommunist*, the party's major ideological journal, and *Novyy Mir*, the country's most prestigious literary journal. Since Gorbachev's accession to power, the news agency Novosti, the Soviet Copyright Agency, the State Committee for Television and Radio, and the government publishing agency have all been given new chiefs. And—in the first open debates since the 1930s at congresses of writers' and filmmakers' unions—liberals took control of the union leaderships and set up commissions to review all productions bottled up by the censors. These shifts at the center of the system have been reflected in a number of similar personnel changes at republic and regional levels.

[redacted]

Resistance and Risks

There is ample evidence—in the Soviet press, [redacted] and in statements by Gorbachev and his supporters—that *glasnost* is neither universally acclaimed nor practiced. At the highest level, Gorbachev's principal supporters and spokesmen for this policy are "second secretary" Yegor Ligachev, Moscow party boss Boris Yel'tsin, and propaganda secretary Aleksandr Yakovlev. Yel'tsin and Yakovlev were promoted into the top leadership by Gorbachev, and Ligachev was brought to Moscow, where he worked under Gorbachev's supervision, by Andropov. Yakovlev reportedly is a close Gorbachev adviser and has played a key role in the large number of personnel changes in the media. He recently told a conference of cultural officials at the Central Committee that the best weapon against the inroads of "mass culture" from the West is better Soviet art. Yel'tsin acted as Gorbachev's point man on the arts at the 27th CPSU Congress in February 1986 and has continued in Moscow a pattern of frank discussion that he set earlier in his career. [redacted]

Ligachev's position appears to be more complex. He has forcefully articulated Gorbachev's cultural and information policy at a series of conferences with propaganda and media functionaries; reportedly has

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veted and approved many controversial plays and films for public showing, including the stunning "Repentance," a staged critique of Stalinism; and overseen the purge of propaganda personnel. On the other hand, he has tempered his calls for *glasnost* with stiff warnings to theatrical figures and media officials that "criticism of negative phenomena" must be only of a "creative, constructive nature," that radio and television broadcasting must be "wholly political," and that artistic works must feature the active Soviet hero, the "real fighter" for the Soviet lifestyle. Soviet cultural figures, he warns, must display "incomparably greater aggressiveness" in fighting "bourgeois ideology."

[REDACTED]

Although we have not seen signs of serious disagreement about *glasnost* at the top level, the continued presence of Andrey Gromyko and Vladimir Shcherbitsky, who are less than enthusiastic on the issue, could in the future provide a focus for disaffected informational and cultural elites and officials who fear that Gorbachev's policies threaten their privileged positions. KGB Chairman Viktor Chebrikov may also have mixed feelings about this approach. While he is probably allied with Gorbachev on most political and economic questions, and was reportedly one of only two Politburo members to support the General Secretary's relatively frank information policy on Chernobyl, his functional responsibilities as head of the secret police may make him wary of any loosening of controls over the spread of unorthodox ideas. In an article published in *Kommunist* (No. 9, 1985), Chebrikov came down hard on domestic critics of the Soviet system as tools of foreign intelligence services and failed even to mention Gorbachev's call for constructive criticism.

Ideological and stylistic conservatives among media officials, cultural figures, and midlevel bureaucrats have recently become more devious in their resistance, and their arguments are more muted. They insist that more open discussion of social problems and official shortcomings weakens popular confidence in the party, provides ammunition to foreign enemies, and encourages deviant behavior among impressionable youth—in short, it opens a Pandora's box of anarchy

and questioning of the system. Foot-dragging, muzzling of whistle-blowers, and various forms of sabotage evidently continue to plague Gorbachev. [REDACTED] 25X1

The central media and regime spokesmen increasingly are hitting out directly at local press and party officials who flout the policy. A 12 November *Pravda* editorial attacked "some leaders" who are "frightened of the glare of publicity" and "some people" who "still believe that criticism from below is incompatible with strict order." It ridiculed "would-be criticism from people who are only playing up to the restructuring." The editorial also revealed the regime's concern about the number of anonymous letters to higher authorities smearing whistle-blowers and "strong leaders" who have "introduced stricter responsibility." There are complaints in the literary press that some editors—and not just those in the provinces—are overcautious in exercising their new authority and continue to suppress anything that appears unorthodox. A Soviet poet recently wrote sardonically that all references to "beer" and "wine" had been deleted from his verses by an overzealous editor. [REDACTED] 25X1

Expanding the limits of the permissible in culture and propaganda harbors major risks for the regime and for Gorbachev personally. Public airing of social problems could stimulate a process of ferment within the intelligentsia and criticism from below that could get out of hand—as happened during Khrushchev's "thaw" in the late 1950s. The breaching, in recent weeks, of two extremely sensitive taboos—concerning Stalin and religion—could, for example, lead to symbolic questioning of the legitimacy of the Soviet system. If the campaign goes too far, it could strengthen the hand of Politburo hardliners and produce a swing back to more repressive policies. On the other hand, a crackdown would risk killing the esprit Gorbachev wants to foster and might lead to greater popular cynicism than existed before. [REDACTED] 25X1

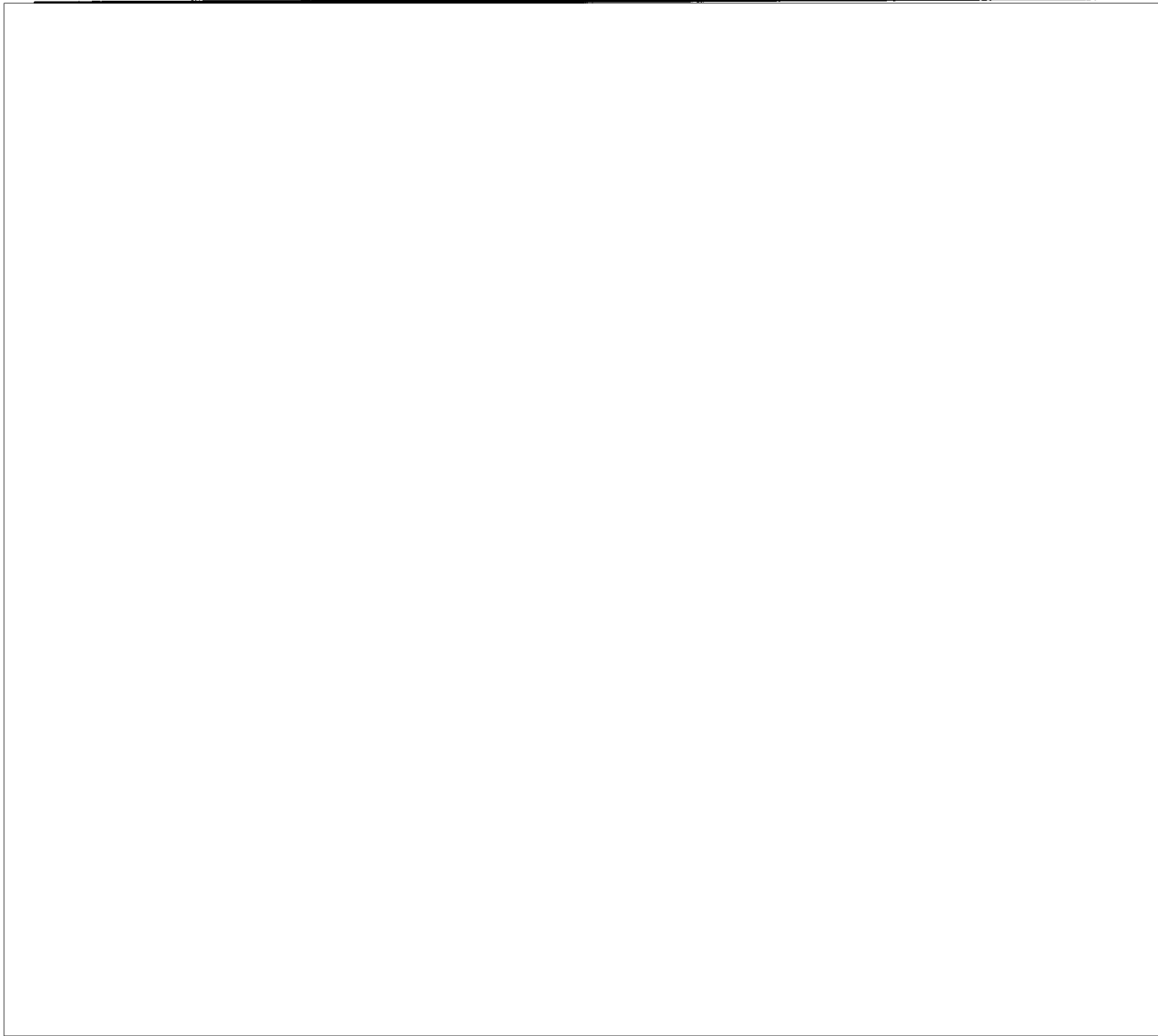
Prospects

Gorbachev evidently believes that the policy of a franker confrontation with "past mistakes" and contemporary social and economic problems is needed to address and solve those shortcomings and to overcome

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widespread apathy and alienation, particularly among the intelligentsia. He seems confident that he can control the scope and process of *glasnost* and avoid either a runaway intellectual ferment or a backlash by rightwing officials that would cripple the momentum and esprit he is trying to build.

Regime spokesmen have begun an attempt to articulate a balanced formula as guidance, but it is imprecise and ambiguous. For example, the new head of the

USSR Writers Union, Vladimir Karpov, told a TASS correspondent that writers are no longer bound by rules forbidding "certain themes" and that "we must tell the truth" even if it is sad. "But," he added, "to write only of shortcomings is incomplete truth." And the handling of the highly controversial film *Repentance*, about Stalin's terror, provides a graphic example of Gorbachev's dilemma in trying to predict and

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contain the impact of newly released works. Limited screenings in Georgia and Moscow have sparked highly emotional reactions, and since the film's director distributed leaflets to cultural organizations announcing further showings, there have been rumors that the Central Committee had decided to postpone or perhaps to cancel the public opening and the planned nationwide television showing. A showing in Leningrad was canceled, reportedly at the direction of the local KGB. [redacted]

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Gorbachev's dual goals of artistic creativity and political reliability are irreconcilable, and managing the process of *glasnost* will increasingly tax his political skill. If, in the short run, he continues to resist defining more precise limits as a way of giving himself more room to maneuver, the demands and hopes of liberal intellectuals will continue to escalate. In the long run, he will ultimately have to set firm bounds to prevent a conservative reaction within the leadership.

[redacted]
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Gorbachev's Economic Program: Monitoring Progress

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General Secretary Gorbachev has made economic revitalization the central focus of his regime. His obvious dissatisfaction with existing economic conditions and performance has led him to take a number of initiatives to turn the situation around. The credibility of Gorbachev and his regime will depend, in no small measure, on the degree of success he and his colleagues achieve in the economic arena. The regime has focused its efforts on improvements within the existing system while fostering a wider debate about economic problems that could lead to more risky and destabilizing systemic change should current initiatives fail. Monitoring economic performance and leadership perceptions of and reactions to "progress" is therefore central to our understanding of Soviet political and economic dynamics.

Given the long leadtimes and, in some cases, short-term disruptions associated with many of Gorbachev's initiatives, the full effect of regime policies on economic performance will not be manifest for several years. The leadership, however, probably has neither the time nor the patience to let the dynamics of current initiatives play out fully before deciding on their efficacy and sufficiency. More likely, its prognosis for effective modernization will be based over the next two years on demonstrated progress in those areas—such as machine building—viewed as critical prerequisites to overall economic improvement. Recent events make it clear that Gorbachev and his lieutenants are closely watching—and taking action on the basis of—even more preliminary returns.

Performance against major macroeconomic measures—national income, industrial production, labor productivity—will be monitored closely by Soviet leaders and planners, who will be quick to point to increases in the growth rates of these variables as indicators of success. But, because of their highly aggregated nature, such measures are of limited utility in short-run assessments of progress or problems in Gorbachev's economic programs. For example, the upturn in many of these indicators this year is

due more to a surge in the *quantity* of goods and services produced than to any increase in *quality* or *variety of production*—the base on which successful modernization will ultimately depend. Because changes in quality and product variety are inherently difficult to identify through shifts in aggregate economic variables, it is necessary to look for additional indicators that will give a clearer sense of how enthusiastically Gorbachev's program is being received, how well it is being implemented, and how it is being modified. We have identified a number of surrogate "progress indicators" with respect to the following four major themes of Gorbachev's economic strategy: industrial modernization, economic efficiency, economic discipline, and consumer welfare. Although performance in some of these indicators will be known only after annual data are published, others can be tracked more or less continuously.

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Industrial Modernization

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Gorbachev has made modernizing the economy one of his top priorities with good reason. Unless substantial quantities of high-quality, modern-technology equipment are produced and assimilated, the gap between Western and Soviet technology is likely to widen. Equally important, the foundation for meaningful improvements in the quality and efficiency of Soviet industrial production will not materialize. The regime appears well aware of this imperative and intends to pursue modernization through actions to accelerate the development and assimilation of new technology, (that is, S&T progress) and through shifts in investment allocations.

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Accelerating S&T Progress. The Soviets publish a variety of information that will help us track progress against specific modernization goals (see inset). Much of this information is available only on an annual basis, and then with roughly a six-month to one-year lag. Moscow has begun to publish some new data series on efficiency of metals and energy use, and on

use of modern production technologies, that appear to stem directly from efforts to monitor progress in modernization. Both Soviet and partner country trade data will be useful in tracking the competitiveness of Soviet manufactured goods exports in the world market. Increased competitiveness of Soviet manufactures would be a sure indicator of gains from modernization. Measures of political pressure to speed up S&T progress, such as turnover of key ministers and party criticisms, are available on a more or less continuous basis from the Soviet press. These latter indicators will be particularly useful in suggesting the level of tensions Gorbachev's policies and exhortations are creating and regime "commitment" to keeping the pressure on. [redacted]

Shifting Investment Allocations. Premier Ryzhkov, in his speech to the party congress, stated that the new element of investment policy in the 1986-90 Five-Year Plan is its focus on promoting S&T progress. The most evident indication of this is the 80-percent increase in investment slated for the civilian machine-building sector—"the complex where the achievements of scientific and technical progress materialize." This priority, however, implies greatly increased tension among competing claimants for investment resources, particularly given the rising needs of energy, transportation, the consumer sector, and the traditional heavy demands of defense. [redacted]

Over the short term, we will be especially interested in evidence of tensions and imbalances in the investment plan that could lead to a reordering of priorities—perhaps threatening the implementation of Gorbachev's modernization program (see inset, page 33). Key indicators here will include trends in orders of Western equipment; data from plan fulfillment reports on investment and commissioning of new capacity, especially in sectors where bottlenecks could emerge; foreign borrowing trends; and the rate of military procurement for selected high-cost items. Revisions in allocation policies will be evidenced by changes in annual investment plans, leadership statements, or shifts in imports. Finally, we will also be tracking other elements of investment policy associated with modernization such as retirement rates and the share of investment going to renovation. [redacted]

Indicators of S&T Progress

Production trends of high-technology goods:

- Computers.
- Flexible manufacturing systems.
- Robots.

Advances in basic industries. Share of:

- Electricity produced in nuclear power plants.
- Steel produced in basic oxygen and electric furnaces.

Advances in transport technology. Share of:

- Rail lines electrified.
- Truck freight hauled by diesels.

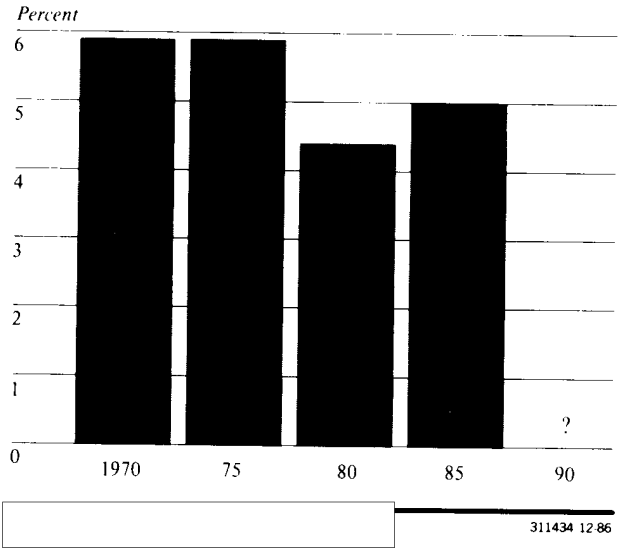
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Labor savings due to new technology.

Production of goods that meet world standards, as reflected in exports of manufactured goods.

Official statements concerning innovation progress; party reprimands for laggards.

Meeting World Standards: Share of Machinery and Equipment in Hard Currency Exports



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Investment Policy Indicators

Investment plan tensions:

- Western machinery orders.
- Reports of sector bottlenecks; for example, ferrous metals, railroads.
- Soviet demands for East European machinery.
- Gaps between machinery output and investment plans.
- Procurement of military hardware.

Investment priority shifts:

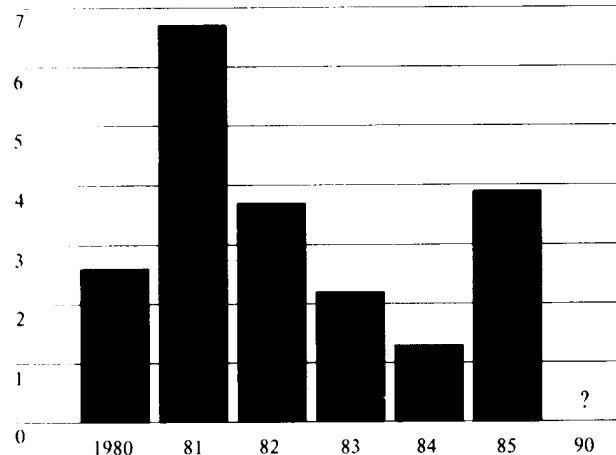
- Investment flows by sector.
- Investment share of national income.
- Volume of machinery imports.
- Leadership statements.

Substituting new equipment for old:

- Annual retirement rates.
- Share of investment used for renovation.
- Fulfillment of plans for bringing new capital on stream.

Western Machinery Orders

Current billion US \$



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Economic Efficiency

The increasing scarcity of many of the basic resources needed to support economic revitalization has led Gorbachev to make improved economic efficiency one of his major objectives. Publication of new Soviet data on efficiency of energy and metals use suggests increasing interest by Moscow in tracking efficiency gains for these critical resources. For the most part, data on the indicators listed in the inset on page 34 will appear only with a considerable lag.

A shift to a market-based system for rationing goods and services might be the most effective step Moscow could take to increase economic efficiency. As yet, there is no indication the regime is even considering such a radical move. The most important indicators that such a step could be in the offing would be references to markets, supply and demand, prices, and the need for slack plans in the leadership's speeches. References that appear in the party journals and newspapers also would be indicative but would carry less weight. Finally, references appearing in academic journals would at a minimum indicate an expanded arena for debate and perhaps represent the first indications of increasing interest in considering a role for markets.¹ References to raising prices of key consumer goods subject to large excess demand, such as bread, housing, and medical services, would also be relevant although not necessarily a step toward markets.

Economic Discipline

Eliciting greater and more effective work effort from the labor force is one of Gorbachev's key goals. He already has taken major steps in this direction: the antialcohol campaign, a number of major reorganizations, and numerous replacements of ministers and other high-level economic managers. It is inherently difficult to measure changes in the degree of labor

¹ Soviet officials have suggested that "more flexible" price-setting mechanisms could be instituted or that enterprises could be given greater freedom to negotiate with each other directly, especially in the area of above-plan output. Such discussions also may indicate an expanded arena for economic debate, but by stepping around the notion of moving toward markets per se they probably carry little weight as an indicator of an expanded role for markets.

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Indicators of Economic Efficiency

Energy intensity of GNP.

Metal intensity of GNP.

Ratio of unfinished construction to annual fixed investment.

Ratio of inventories to final sales.

Trends in use of byproducts.

Factor productivity growth.

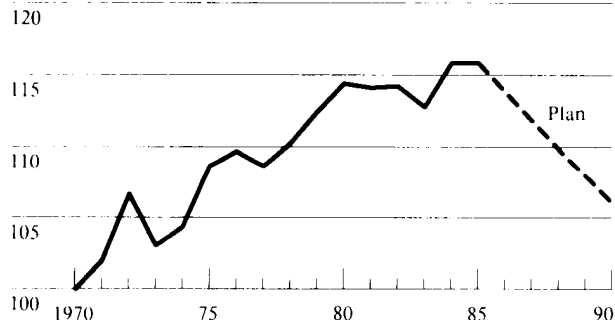
Feed/meat conversion ratios.

discipline. The best indication would be changes in labor productivity that cannot be attributed to other factors, such as better equipment. However, because such changes are very difficult to isolate, most of the evidence indicating increased discipline must reflect the input side of the equation—that is, the number and range of policies taken to improve discipline and the extent to which they are implemented (see inset, page 35). For example, the intensity of the antialcohol campaign can be measured by the trend in availability of state-produced alcoholic beverages, and changes in store hours for selling them. While the effect of this campaign on labor productivity would be difficult to quantify, we can monitor official statements and press reports that comment on reduced drinking on the job, the incidence of alcohol-related accidents, and worker attitudes toward the campaign.

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Energy Intensity of GNP^a

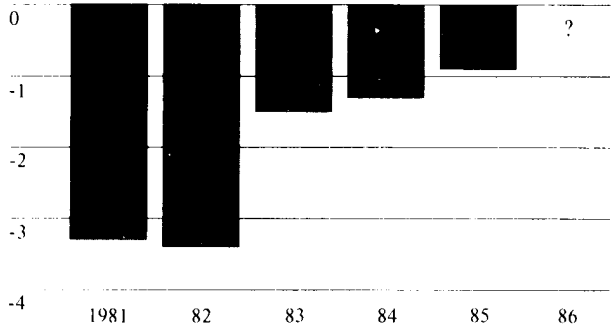
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^a Domestic energy use per unit of GNP.

Industrial Factor Productivity Growth

Percent



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Consumer Welfare

Gorbachev's "wager on the strong" will unravel if he fails to make demonstrable progress in improving the quality, quantity, and variety of consumer goods and services, especially for some key product groups. He has called for a sharp increase in per capita consumption, but this is only a summary indicator of consumer welfare.² Measures that gauge improvements in the supply of subcategories of consumption and their distribution among socioeconomic groups are more relevant, particularly in assessing the possible impact of a given change in consumption on worker productivity. For example, food—especially meat—and housing weigh most heavily in the Soviet consumer's perception of his standard of living. Gains concentrated in these sectors might earn the regime more points with the consumer than increases in other goods and services.

Similarly, the distribution of scarce goods and services to favor certain interest groups is in the regime's interest. For example, consumer rationing schemes that give priority to the most productive workers in

² Per capita consumption, as we define it, encompasses all household expenditures on goods and services and government expenditures on health and education

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Indicators of Increased Economic Discipline

Reduced alcohol consumption.

Reduced second-economy activity.

Firing or reprimands of ministers.

Increased party criticisms concerning plan discipline, data falsification.

Sharp increases in labor productivity.

Substantial staff layoffs.

Increased managerial innovations improving operating efficiency.

Reduced rate of absenteeism.

Ministries of Machine Building Criticized for Not Meeting Delivery Goals, January-November, 1986

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct ^a | Nov |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|------------------|-----|
| Power Machine Building | | • | | | | | | | | | • |
| Heavy and Transport Machine Building | | • | | | | • | • | • | • | | • |
| Electrical Equipment Industry | • | • | | | | | | | • | | • |
| Chemical and Petroleum Machine Building | | | | | • | • | • | • | • | | • |
| Machine Tool and Tool Building Industry | | | | | • | • | • | • | • | | |
| Instrument Making, Automation Equipment, and Control Systems | | | | | | | | | | | |
| Automotive Industry | | • | | | | | | | | | |
| Tractor and Agricultural Machine Building | | | | | | | | | | | |
| Machine Building for Animal Husbandry and Food Production | | | | • | | | • | | • | | |
| Construction, Road, and Municipal Machine Building | | | | | | | | | | | |
| Machine Building for Light and Food Industry and Household Appliances | | | | | | • | | | • | | • |

^a Data not available.

[Redacted]

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the sectors crucial to modernization could raise morale and possibly productivity for key groups of workers. [Redacted]

Other indicators of changes in consumer welfare that can be readily monitored are shown in the inset on page 36 and include:

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The usual Soviet rationing system of queues and bribes to distribute valued consumer goods and services is a source of frustration to much of the work force. Although the political costs could be substantial, increasing prices of selected consumer goods and services, if accompanied by a greater role for private producers, would relieve some of this frustration.

- Meat availability per capita.
- Consumer good imports from the West and Eastern Europe.
- Collective farm market prices. [Redacted]

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The Soviets publish some of these data; [Redacted]

[Redacted]

[Redacted]

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Indicators of Consumer Welfare

- Meat availability per capita.*
- New housing commissioned.*
- Grain and meat imports.*
- Other consumer goods imports.*
- Production trends of consumer goods and services.*
- Level of consumer complaints about quality.*
- Consumption fund share of national income.*
- Inflation as reflected in collective farm market price trends.*
- Investment allocation to light and food industries and agriculture.*

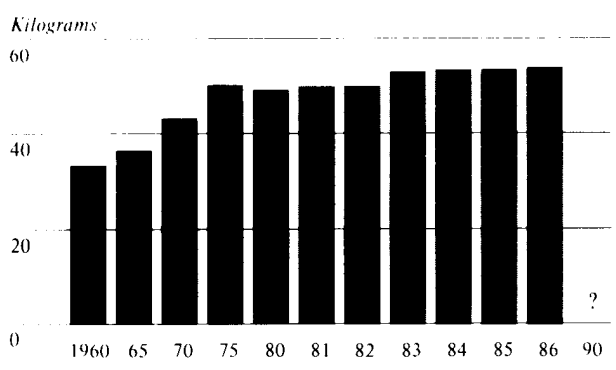


Impact on the Leadership

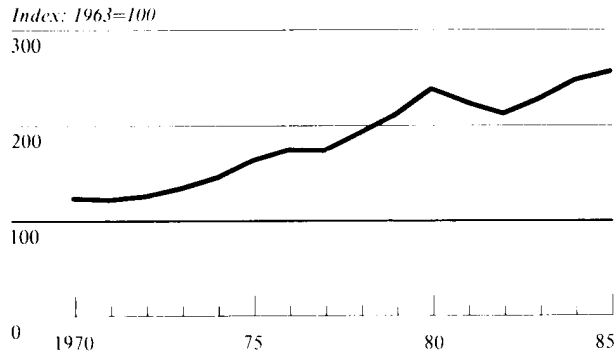
Gorbachev and his colleagues will also be closely scrutinizing the data described above. Politically, it is important that his strategy begin to show some positive early returns in order to sustain momentum in implementing them. Economically, some gains are needed to ease the resource tension created by the industrial modernization program. The military, for example, may grow increasingly restive if Gorbachev's program for modernization squeezes their share of the resource pie without showing demonstrable progress. The populace, whose expectations have been raised by Gorbachev's rhetoric, may also become restive and uncooperative if some tangible results are not forthcoming.

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Availability of Meat Per Capita



Index of Meat Prices in Moscow Collective Farm Markets



Moscow realizes that the most salient indicators are the macromeasures, but that even good performance in these measures only implies partial success. For example, while the nine-month plan fulfillment report highlights the faster growth in a number of macroeconomic variables in 1986, it also emphasizes that targets for quality, product mix, and resource saving were not met. The direction and magnitude of changes in these latter indicators and others will play a large role in shaping the perceptions of individual interest groups (for example, consumers, economic managers, and military leaders) and their support for Gorbachev's economic program.

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Poor performance in indicators of economic performance could be risky, both for Gorbachev's own power and his economic program. This is not the only possible outcome, however. Gorbachev could use lagging performance as proof that more basic and pervasive changes are needed to make his program fully effective. So far the changes he has called for in the area of reorganization and management are meant to improve the existing economic system. Even these changes have been slowed by resistance from the

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massive and entrenched party and government bureaucracy. Disappointing results from Gorbachev's modernization program might well be the catalyst that convinces economic and party managers that the solution is not in scrapping Gorbachev or his program but in implementing fundamental systemic reforms.

[Redacted]

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[Redacted]

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Other Topics

The Dilemma of Moscow's Policy To Curtail Illegal Private Activity

[redacted]

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Gorbachev's campaign against "unearned incomes" initiated this past summer—in part to curtail activity in the second economy—is creating confusion among officials and the populace and is increasing consumer frustration.¹ The campaign calls for stricter enforcement of state restrictions and regulations on the private sector. [redacted]

[redacted] the campaign has driven some private-sector activity further underground, raised prices of some consumer goods and services, and reduced their availability. The leadership—reluctant to allow a decline in consumption levels—is concerned about these results and is taking steps to resolve the dilemma but so far has not come up with a solution. [redacted]

New legislation on individual labor activity attempts to clarify the situation by specifying what types of activities may legally be pursued and under what conditions. Moscow hopes the law will capture some of the private activity heretofore undertaken illegally as well as increase the supply of consumer goods and

¹ We define the second economy as all production and exchange that meets both the following conditions: (a) being directly for private gain; and (b) being knowingly in contravention of existing law. Although a wide range of private activity is considered legal, much of this activity actually takes place under illegal conditions because participants fail to register or pay taxes or use materials stolen from the state. This article argues that regime determination to reduce such activity, the target of the "unearned incomes" campaign, will place limits on legal private activity, despite statements by Soviet officials that the campaign is not intended to curb legal activity. [redacted]

services that are legally available.² At the same time, the law calls for strict state regulation of individual labor activity through restrictions on participation, taxes, licensing, and probably price controls, all of which tend to constrain personal initiative. The essential dilemma that Moscow faces has not been resolved: the leadership wishes to rein in the second economy but without reducing its contribution to the supply of goods and services, goals that are to a large extent mutually exclusive within the Soviet system. [redacted]

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The "Unearned Incomes" Campaign

The Council of Ministers and the Central Committee issued resolutions and the Supreme Soviet approved legislation on "unearned incomes" in late May. New legislation that took effect on 1 July takes aim at corruption such as bribery, embezzlement, and theft and/or misuse of state property. It condemns activity conducted for the purpose of obtaining "unearned income," vaguely defined as income incommensurate with the individual's labor contribution. The campaign also targets "speculation"—the charging of

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² While the new law makes clear that its major purposes are to increase labor activity and encourage greater production of goods and services, it also is meant to bring the second economy above ground by encouraging participants to register with the state and come under state regulation. [redacted]

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“unfair” prices that results in “unearned incomes.” Specific measures in the resolutions and the law that affect private activity include:

- Closer monitoring of individual income by the state in order to identify persons engaged in illegal activity. For example, citizens conducting transactions worth more than 10,000 rubles must now submit to state authorities declarations indicating their source of income.
- Increased financial penalties for violation of laws on taxation and licensing of private artisans and craftsmen.
- More detailed accounting by state enterprises of supplies used by them. This is to curtail theft of state property by state personnel. [redacted]

- *Izvestiya* in late August reported that in Kuybyshev efforts to curb nonofficial use of state vehicles included clamping down on gypsy cabbies who transport peasants from farm to market.
- A September *Pravda* article described citizens’ letters expressing confusion over the goals and results of the campaign. Some 49 people from Krasnodar Kray complained that they had been charged with making unearned income on their private plots. Some received fines and others had their plot rights taken from them, even a family that largely depended on the plot for its own food.

- [redacted] supplies in Tyumen’ Oblast CFMs were down because of restrictions of the unearned incomes campaign that hamper transport of produce from one area to another. 25X1

Soviet press reports suggest that the campaign has made it harder for individuals operating in the private sector—usually illegally—to conduct business. The clampdown has reduced access to inputs that are often stolen from the state—such as use of state vehicles—and has in many localities created a climate in which all economic activity outside the state sector is viewed with suspicion. Press reports also indicate that the crackdown has led, at least in some areas, to higher prices and reduced supplies of foods in collective farm markets (CFMs). For example:

- A July *Pravda* article noted that spot checks by local militia at a CFM in Perm’ frightened off a number of vendors and that the few intrepid salesmen remaining tripled their prices.
- In Krasnoyarsk, according to the same *Pravda* article, police barred farmers from hauling their produce to market, and, as a result, supplies there were scanty.
- A July article in the Armenian party journal *Kommunist* complained that a clampdown on illegal personal use of state vehicles had resulted in a decline in availability of taxi services.

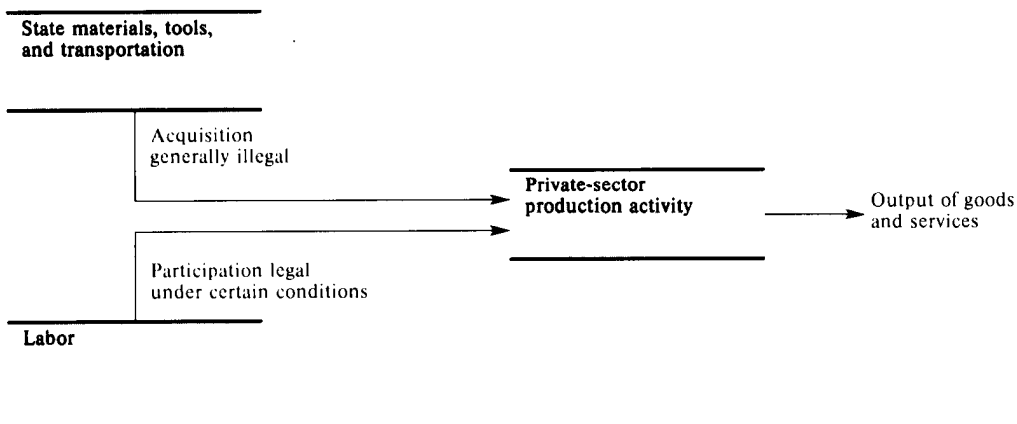
- A Soviet official during a Moscow radio interview in November cited a letter from a pensioner who wondered whether income earned on the side as a photographer would be seen as unearned income. Two other citizens were concerned that income from sale of private-plot produce represented unearned income. [redacted] 25X1

The Dilemma

A July *Pravda* editorial blames local officials for misinterpreting the new legislation and carrying the campaign too far. In fact, however, the fault probably lies with conflicting policies that reflect the ambivalent nature of regime policy toward the second economy (see figure). On the one hand, the leadership wants to tighten control over resources needed for modernization of the economy. The crackdown on unearned incomes is, in part, an attempt to regain control over state resources such as vehicles, materials, and labor time that are often used for nonofficial purposes. However, these resources are not wasted but make a substantial contribution to production of various consumer goods and services. Restrictions on the sources of materials and transport needed by peasants to farm

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The Dilemma of Soviet Policy Toward the Private Sector



Soviet labor policy

Labor participation in the private sector is allowed as long as "socialist" obligations are met first. Thus, moonlighting is acceptable.

Catch 22

Required materials, transportation, and other resources are generally not available for private-sector use except through illegal acquisition from the state sector.

Bottom line

Any crackdown—such as the unearned incomes campaign—that restricts the flow of resources to the private sector will reduce the sector's output of goods and services even if labor policy is liberalized.

[Redacted]

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their private plots, for example, have led to reduced marketings in CFMs. The dilemma is that at a time of slowing growth in consumption and increasing resource stringencies, the leadership is reluctant to allow a decline in consumption levels that an attack on the second economy involves. [Redacted]

The leadership's concern with some of the results of the campaign suggests it is trying to come to grips with the inherent contradiction in its policies that is causing confusion among officials and the populace.

Solutions suggested in the press provide little practical guidance. For example, a *Pravda* editorial emphasized that local officials must distinguish carefully between the shady earnings of "speculators and money grubbers" and the earnings of "honest toilers engaging in auxiliary farming." How this is to be done was not made clear. An August *Izvestiya* editorial called for "legal norms defining the status of a

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citizen running a subsidiary plot." But it is doubtful that establishment of more norms would prevent officials from using the concept of "unearned incomes" to crack down on even officially sanctioned private activity. Most important, such norms would not solve the practical resource problems that peasants face unless accompanied by greater access to needed equipment, materials, and transportation.

Approval in late November of legislation regulating individual work activity could be expected to clear up some of the confusion brought on by the unearned incomes campaign. It lists, for example, individual activities that are considered legal as well as those deemed against the law. The new legislation, however, does not expand the range of activities that individuals may legally engage in, with the exception of private taxi services and the use of private homes for boarding, which were previously considered illegal. As in the past, republics are given the right to add to or delete from the list of legal activities.

Like the unearned incomes legislation, the law makes clear that individual labor activity must be conducted under close state supervision. For example:

- All who work in the private sector must obtain licenses and pay taxes on their income.
- The law restricts participation in private-sector activity by limiting it to pensioners, housewives, students, and moonlighters, and by forbidding the hiring of labor.
- Between now and 1 May 1987, when the law comes into force, detailed regulations concerning taxes and prices are to be developed.

Thus, it is not clear whether even the individual labor law clarifies the regime's position on private activity either for the local authorities charged to regulate it or for participants, who will have to wait for further clarification of where the regime stands on the issue.

Outlook

An easing of the currently high marginal tax rates on privately earned income could encourage personal initiative. taxation and pricing of private individual labor activity are being debated now. However,

the official interviewed over Moscow radio suggested that the prices that individuals may charge for their output will be determined by the state. The judicial official said that the law will not allow unjustifiably high earnings through "profiteering."

Overregulation has restricted private activity in the past and could pose a threat to personal initiative now. More vigorous enforcement of existing regulations on taxation and licensing could, in fact, reduce private activity or drive it further underground. A Soviet official interviewed on Moscow radio said that the penalties for repeat violations of the individual labor law are two years in a labor camp or a fine up to 1,000 rubles.

Just as important, though, limited access to needed materials, labor, and supplies will remain a key constraint to any expansion of the private sector. Enforcement of the unearned incomes campaign will continue to limit individuals' access to supplies through the second economy. While the leadership continues to promise to provide more supplies through legal channels, any actual shifts to the private sector must compete with the resource needs of Gorbachev's effort to modernize the economy, and the state sector almost certainly will come out ahead.

the law on individual labor activity is designed to prevent an outflow of labor from state employment.

Gorbachev's comments in Krasnodar in September suggest that the regime unrealistically still hopes to pursue the crackdown on the second economy while

³ The lack of willingness by the leadership to increase supplies to individuals is illustrated by a Council of Ministers decree published in October encouraging the formation of cooperative organizations for small-scale production of consumer goods and services. The decree emphasizes use of byproducts and scrap materials from state enterprises rather than the provision of new materials. The regime is hoping to make more efficient use of these secondary resources that are otherwise wasted.

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somehow maintaining (and even increasing) the benefits that flow from legal private activity. Touching on the unearned incomes campaign, the General Secretary stated:

We condemn the practice whereby certain people act to the detriment of the interests of society and all others by not participating in public affairs, make no contribution to the work of enterprises, the kolkhoz, or the sovkhos and want to develop their private ownership aspirations. At the same time, we must support all who grow products by their own labor activity and those who combine work in social production and on their own plot.

[Redacted]

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With continuing mixed signals coming from the leadership, all that may be achieved from Soviet measures in this area is increased uncertainty, which—while making second-economy participants more wary—will also tend to restrict their production activity. Clarification of the leadership's policy on the second economy will be required for any expansion of legal private activity. [Redacted]

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Viewpoint

The views expressed in the following article are the author's and do not necessarily represent a CIA consensus.

Ligachev, Gorbachev, and the Configuration of Power in the Current Soviet Leadership

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A central question of Soviet politics today is the relation of the putative second secretary, Yegor Ligachev, to the General Secretary, Mikhail Gorbachev.¹ Crudely put, is Ligachev basically Gorbachev's agent, striving to carry out Gorbachev's program of renewal? Or does Ligachev seek to limit Gorbachev's personal power and to build a power base of his own?

First and Second Secretaries: A Historical Perspective

Before examining Ligachev's circumstances and his words and actions as they bear on these questions, it is useful to consider the historical record of second secretaries in relation to the top leader. Nikita Khrushchev, who by 1958 had established himself as the effective ruler of the Soviet Union, had three second secretaries: Aleksey Kirichenko, who was ousted from the leadership in 1960; Frol Kozlov, who opposed Khrushchev in 1963 and was soon replaced; and Leonid Brezhnev, who conspired against Khrushchev and succeeded in ousting him. The record of the East European regimes modeled on the USSR is not very different: among established leaders, that is, men more powerful than Gorbachev is today, the second secretary generally has either conspired against the

general secretary—for example, Erich Honecker (East Germany), Eduard Gierek (Poland), Jari Hendryk (Czechoslovakia), Todor Zhivkov (Bulgaria)—or been replaced by him—for example, Franz Dählem (East Germany), Aleksandr Rankovich (Yugoslavia), Bela Biszku (Hungary). Communist China's experience is equally striking: Mao Zedong in turn removed Liu Shaoqi and Lin Biao, both of whom had held posts equivalent to that of second secretary and had been designated heir.

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The recent experience of Soviet second secretaries tends to prove the rule, for their relation to the general secretary has been marked by turbulence. Although Andrey Kirilenko loyally served Brezhnev as second secretary, he lost Brezhnev's favor and was replaced by Konstantin Chernenko. Chernenko in turn was ousted as second secretary by Yuriy Andropov, who on Brezhnev's death became General Secretary. Under Andropov, Chernenko once again became second secretary and survived in the post long enough (15 months) to succeed Andropov. Gorbachev thereupon became second secretary and, when Chernenko died a year later, General Secretary. None of the three second secretaries before Ligachev—Andropov, Chernenko, and Gorbachev—was freely chosen by the general secretary under whom he served, and their relations with him were marked by factional maneuvering and politicking.

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¹ "Second secretary" is not a formal, titled position, but reflects putative power and authority that is usually conveyed deliberately to the interested public by various signs, including protocol arrangements. Most often the second secretary is responsible for organizational questions, including cadres, and for ideology, and he may have additional responsibilities in foreign and economic policy as well.

Gorbachev's Role in Ligachev's Career

Gorbachev's relationship to his second secretary probably is not as antagonistic as that of his immediate predecessors. Nevertheless, Ligachev—an Andropov protege—was not freely chosen by Gorbachev as second secretary. A little over three years ago Ligachev was the party leader in Tomsk, a secondary oblast far from Moscow. Why Ligachev was brought to Moscow in 1983 to head the cadres department in the Central Committee—a key position in effecting personnel assignments and policy implementation—is not clear. Although he had engaged in cadre work in Moscow under Ivan Kapitonov in 1963 and 1964, Ligachev did not benefit from Kapitonov's subsequent rise. (Moreover, Kapitonov's career was in decline in 1983, so he was hardly in a position to choose his replacement.) Kapitonov's former boss, Kirilenko, head of the Bureau for the RSFSR in the first half of the 1960s and evidently an unofficial adviser to Andropov 20 years later, may have recommended Ligachev. At a high point in Andropov's campaign against corruption in Brezhnev's family, Ligachev called attention, in *Pravda*, to every leader's responsibility to set an example in suppressing violations of party rules, suggesting he may have played a part in the campaign. If so, Andropov, impressed by his abilities, might have rewarded Ligachev by bringing him to Moscow. In any case, Ligachev, raised from relative obscurity to a powerful post under Andropov's aegis, was promoted along with other Andropov proteges in December 1983 to the Secretariat. [redacted]

Ligachev's elevation to full member of the Politburo occurred after Gorbachev had become General Secretary in April 1985, but Gorbachev's involvement in this promotion is unclear. By then Ligachev had played a key role in numerous appointments and had helped indoctrinate rising regional leaders who had been rotated to Moscow for training, enabling him to establish an independent power base. Ligachev evidently was not Gorbachev's preferred choice as senior secretary for cadres. Had he possessed the power, he would have done well to emulate Andropov, choosing from among regional party secretaries a protege who would be dependent upon him. A suitable candidate, for example, might have been Georgiy Razumovskiy, party first secretary in Krasnodar, who later replaced Ligachev in the subordinate position of head of the

cadres department. Gorbachev apparently lacked the power, however, to make such an appointment. He was stuck with Ligachev. [redacted]

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That Ligachev rapidly acquired substantial power and authority, hence early recognition as the second secretary, suggests that he may have been supported by other top leaders with the object of limiting Gorbachev's power. For a few months, in fact, Ligachev was the only other senior secretary besides Gorbachev. To avert the emergence of a duarchy, Gorbachev subsequently succeeded in diluting Ligachev's power by making party secretary Lev Zaykov a full Politburo member, hence a third senior secretary.² Subsequently Gorbachev further strengthened his position in the Secretariat by appointing a number of junior secretaries (Aleksandra Biryukova, Anatoliy Dobrynin, Vadim Medvedev, Viktor Nikonov, Georgiy Razumovskiy, and Aleksandr Yakovlev) and ousting Brezhnev's old associates, Konstantin Rusakov and Boris Ponomarev. At present, Gorbachev clearly exerts substantial influence in the Secretariat, but Ligachev remains responsible for cadres, ideology, and aspects of foreign and economic policy; roughly half the Central Committee's departments work in areas in which he is directly engaged. Ligachev's capacity to obstruct Gorbachev's programs, were he so inclined, is substantial. [redacted]

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Importance of a Reliable Second Secretary

Gorbachev's interest in having a close adherent manage the Secretariat stems from his ambitious program to reform the Soviet system even before he has fully consolidated his power. In their first years in office, Khrushchev and Brezhnev (like Stalin in the 1920s) concentrated on winning control of the party apparatus, and especially the Secretariat, before involving themselves deeply in a broad range of policy questions. Brezhnev, for example, in the first eight years of

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² Gorbachev and Grigoriy Romanov had also for a short time been the only two senior secretaries, a situation that ended in July 1985 with Romanov's retirement. Thus a pattern is discernible. To the two existing senior secretaries, the general secretary and the second secretary (in 1985, Gorbachev and Romanov; in 1986, Gorbachev and Ligachev), a third is added (in 1985, Ligachev; in 1986, Zaykov), thereby weakening the second secretary. [redacted]

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his tenure, worked in the party's headquarters Central Committee building, not in the Kremlin. Gorbachev, on the other hand, has focused on the country's problems, which for too long had been allowed to deepen and multiply. He is attempting to change Soviet foreign policy, economic administration, and social policy before he has won control of the party machine. Moreover, he is making severe demands on party and government officials. [redacted]

These weighty demands have met with resistance. Malcontents in the party apparatus make up a constituency to whom an ambitious leader can appeal, and who in any case may actively solicit his support. As Gorbachev becomes increasingly active in diplomacy, he must leave Moscow and rely on the second secretary to chair meetings of the Politburo and Secretariat. In such circumstances, it is crucial that Gorbachev's second secretary can be relied on to run the Secretariat and the party apparatus on Gorbachev's behalf while he concentrates on the elaboration and refinement of policy and the remaking of the bureaucracy and society. [redacted]

Is Ligachev a Reliable Supporter of Gorbachev?
What manner of man is Ligachev? In his two decades in Tomsk, Ligachev's responsibilities were limited to running a second-rank province,³ and he was not directly involved in the making of national policy. (Gorbachev had the advantage of sitting in the Politburo after 1979, where he could at least listen to policy debates and read the relevant documents.) Unless Ligachev's mind is characterized by unusual breadth and imagination, the habits of thought inculcated by long party work may have left him skeptical of radical changes in Soviet institutions.⁴ In his long career he has displayed a willingness to support unconventional ideas on occasion, but has done so

³ Ligachev as Tomsk's first secretary had to wait 10 years to become a full Central Committee member, a status normally held by first secretaries in Russian oblasts. [redacted]

⁴ It should be noted, however, that Ligachev had responsible contacts with intellectuals and scientists at the founding of Akademgorodok in the mid-1950s and was actively engaged with writers during his tenure in Tomsk. [redacted]

cautiously, reticently. A Soviet reviewer of his writings once accused him of practicing esoteric communication:

In Ye. Ligachev's small book you will not find any contradiction to that which is new. He is not against it. But he is not speaking out strongly in favor of it, either. . . . Among the tasks of centralized planning he fails to mention the direct distribution of production and sale of output in the products list. And he did so correctly! On the basis of this detail an attentive and knowledgeable reader will understand what the author's position is but the unknowledgeable reader will not notice anything. [redacted]

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This mode of expressing himself, assuming he still practices it 20 years later, suggests that it would be a mistake to limit our perception of Ligachev's views to what he says explicitly. He may signal his disagreements with Gorbachev softly, by esoteric communications, so that one may learn of them only by being "an attentive and knowledgeable reader." [redacted]

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Having been rescued from Tomsk, Ligachev experienced a meteoric rise over the last three years that brings to mind that of the Bolsheviks in 1917. To what does he now aspire? Did he still harbor hopes of reaching the centers of power in Moscow while he languished in Tomsk at age 62? Having become the second most powerful leader in the USSR at age 64, how far does he intend to impose his will on events? These are crucial questions on which direct evidence is lacking. Judged by his actions, however, Ligachev's ambitions are not narrowly constrained by advanced age. Despite repeated injunctions, voiced by him and others in the top leadership, that personal relations must not influence cadre appointments, he has promoted numerous former colleagues, including Aleksandr Mel'nikov, formerly his Tomsk deputy. [redacted]

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⁵ Emphasis added. Review by O. Latsis of a book by Ligachev, *Ekonomika, politika, printsipy upravleniya* (Economics, Politics, Principals of Administration), in *Novyy Mir*, No. 10, 1965, 253-256. [redacted]

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Gorbachev may have found his 65-year-old subordinate acceptable as the second secretary since they hold many views in common. They were united in the campaign to remove Brezhnev's close lieutenants, including Viktor Grishin and Nikolay Tikhonov, and in the effort to oust Romanov. (Ligachev benefited directly from the removal of Romanov, gaining responsibility for the powerful Administrative Organs Department. Its head, Nikolay Savinkin, is among the few Brezhnev-era department heads who have not yet been replaced, perhaps because the major Politburo figures have had difficulty in agreeing on a candidate.) Ligachev, even more than Gorbachev, is something of an ascetic and a moralizer, determined to fight alcoholism and corruption. Both see the need to modernize Soviet industry, and to improve management by increasing enterprise autonomy and strengthening the planning machinery. They agree on the need to eliminate corrupt, alcoholic, and incompetent officials. They agree that the Soviet system has deteriorated and are determined to reverse the country's downward course. They also agree on a broad program of action to accomplish all this. [redacted]

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But there are significant differences as well. Gorbachev seems determined to root out inefficiency at almost any cost and to remove officials who are not wholehearted supporters of his reforms. Ligachev, on the other hand, sees a need to preserve the morale of the party apparatus and seems to be cultivating the good will of its healthy elements. At the 27th Party Congress, Ligachev evidently defended the party apparatus's performance and privileges against sweeping criticism by Gorbachev's protege, Boris Yel'tsin, and by letters published in *Pravda*. In a sense, Ligachev may have inherited from Chernenko the party apparatus, or a portion of it, as his personal base of power. (Ligachev not only survived Chernenko's short period in office, but may have benefited from it.) Ligachev does not seem as committed as Gorbachev to replacing incumbents with younger cadres. In his speeches, Ligachev has appeared less sanguine about US-Soviet relations, more convinced of the need for increased defense spending. He has at times seemed somewhat skeptical of Gorbachev's optimistic growth targets and may have opted for more realistic ones. His commitment to Gorbachev's strategy of incremental radical reform of the economy may depend on its producing substantial successes early. [redacted]

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While Ligachev is not an opponent or rival of Gorbachev and has acknowledged his position of authority, he has sought to limit Gorbachev's power. He has specifically called for collective leadership in the Politburo and Secretariat, while Gorbachev has largely avoided the term. Moreover, a number of developments adverse to Gorbachev's interests seem most readily explained by Ligachev's involvement. Some provincial followers of Brezhnev, such as Vladimir Shcherbitskiy and, until recently, Dinmukhamed Kunayev, have managed to hold on to important posts despite repeated Moscow rumors that they were about to be purged, which suggests that they have found defenders in the leadership. Ligachev appears to have established factional alignments with particular regional leaders, Shcherbitskiy in the Ukraine and Kunayev in Kazakhstan, and perhaps with new party leaders in the Central Asian republics who have replaced Brezhnev's men purged for corruption. [redacted]

Meanwhile, Gorbachev has not been accorded the offices and ritualistic acknowledgement of authority that Brezhnev, Andropov, and Chernenko received and that were becoming institutionalized as attributes of the general secretary. He has not been chosen chairman of the Presidium of the Supreme Soviet, nor has anyone identified him in the central press as chairman of the Defense Council. He is rarely called head of the Politburo, as his predecessors were. While these omissions have been rationalized by Gorbachev's partisans as due to a "cult of modesty," his failure to receive these trappings of authority necessarily raises a question as to the extent of his power. Ligachev, the strong advocate of collective leadership in the top party organs, may well have had a role in denying them to Gorbachev. [redacted]

While Ligachev has accumulated considerable power in the party apparatus, his influence is circumscribed in important ways. As noted, his power in the Secretariat is limited by that of Gorbachev (to the extent he finds time to be active in the Secretariat's affairs), and by the presence of Gorbachev's proteges among the junior secretaries and department chiefs. Moreover, he clearly is not in a position to command the entire regional apparatus, but must rely on alliances (for

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example, in the Ukraine) and persuasion to effect his will. The Moscow party organization under Boris Yel'tsin is outside his control, and his relationship with the party leader in Leningrad, Yuriy Solov'yev, is unclear. He has elevated several figures from Tomsk to important positions, but the Tomsk party organization itself came under attack in the central press before the 27th Party Congress.⁶ [redacted]

While the configuration of forces in the Secretariat leaves Gorbachev dependent on Ligachev for the implementation of his policies, this need not imply that Ligachev is in a position to challenge Gorbachev for the post of general secretary. Gorbachev's impressive display of political strength at the time of the Chernenko succession and subsequently in bringing about major changes in the Politburo and Secretariat and in gaining the adoption of major new programs underlines the danger of underestimating his sources of power. Just as Ligachev may have inherited the support of elements of the party apparatus from Chernenko, Gorbachev appears to have inherited from Andropov the support of the KGB. Moreover, Ligachev's colleagues may see him as an apparatchik, a technician, rather than a statesman capable of developing a program to solve the country's deep problems. Hence they might be reluctant to abort the programs that are now under way. By this reading of the current political situation, then, Ligachev appears to be an uncertain ally in realizing Gorbachev's highly ambitious policies, even a potential obstacle to them, but not a rival for supreme power. [redacted]

But what if Gorbachev should falter? While Gorbachev clearly played a key role in bringing down Romanov, Tikhonov, and Grishin, this was the work not of an individual but of a faction, the faction that Andropov had created in his struggle against Brezhnev and in his brief tenure as general secretary. Its key members included: Gorbachev, a successful apparatchik, who subsequently gained much added strength from Andropov's support; Ligachev, a relatively unsuccessful apparatchik who was suddenly raised from obscurity by Andropov to manage the renewal of the party apparatus; Nikolay Ryzhkov and Yel'tsin, two former Sverdlovsk managers and subsequently central administrators whom Andropov

brought into the party apparatus at a high level to improve the economy; Vitaliy Vorotnikov, a victim of the Brezhnev-Chernenko faction whom Andropov recalled from abroad to help clean up corruption; Andrey Gromyko, who deserted Brezhnev for Andropov; and Viktor Chebrikov, a career party official whom Brezhnev brought into the KGB to keep an eye on Andropov, but who was instead co-opted by Andropov and made KGB head. [redacted]

While all of these men benefited from Andropov's patronage, their backgrounds differ widely and the faction's cohesion is questionable. Ligachev has the strongest independent power base and represents a potential pole of attraction for Gorbachev's opponents. Ryzhkov, although he served three years in the party Secretariat, appears to be a technocrat assigned to administer the economy as head of the government. Ryzhkov's commitment to economic reform seems lukewarm, and his loyalty to Gorbachev may be subject to erosion. (In Soviet history at least four government heads turned against the party leader: Aleksey Rykov, Georgiy Malenkov, Nikolay Bulganin, and Aleksey Kosygin.) Yel'tsin currently seems closest to Gorbachev politically, but his impatience to push through economic and party reforms could antagonize party apparatchiks on whom Gorbachev depends to implement his program. Moreover, Yel'tsin's emphasis on collective leadership could ultimately bring him into conflict with Gorbachev. Vorotnikov, head of the government of the RSFSR, earlier appeared slated for higher things, but he was overleaped in turn by Ryzhkov, Yel'tsin, and Zaykov. (Zaykov is a client of Gorbachev, who raised him from obscurity in Leningrad.) The KGB head, Chebrikov, currently appears to be a strong supporter of Gorbachev's interests. Inasmuch as both Khrushchev and Brezhnev fell victim to the political defection of their respective KGB chiefs (Vladimir Semichastny and Andropov), Chebrikov's loyalty to Gorbachev could be crucial for Gorbachev's extended tenure in office. Gromyko's rise to the defense of the party apparatus at the 27th Party Congress suggests that, if he is not already aligned with Ligachev, he might readily become so if the leadership became more factionalized. Other figures who might influence the outcome

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⁶ *Sovetskaya Rossiya*, 16 January 1986. [redacted]

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of a future crisis are Shcherbitskiy, party boss in the Ukraine, and Mikhail Solomentsev, head of the Party Control Commission, each of whom might ally himself with Ligachev in a confrontation with Gorbachev.

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Gorbachev assuredly has reason to fear the formation of a faction centered on Ligachev and involving powerful elements.⁷ If Gorbachev's program encounters serious setbacks, they could readily give rise to turbulence in Soviet politics, perhaps leading Ligachev to challenge Gorbachev's power.

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⁷ The reduced political weight of the military establishment at present, and Gorbachev's evident slighting of its interests, could be remedied in the near term perhaps only by its alliance with a faction headed by Ligachev. Evidence of the formation of such an alliance is as yet lacking.

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