



# THE NEW SOVIET CORPORATISM: WHY THE WEST SHOULDN'T HELP

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If the success of Ronald Reagan's presidency was to roll-back the military might of the Soviet Union, the failure of the Bush administration could lie in a misguided assessment of Soviet economic power. Failure to understand the type of economic system desired by Gorbachev, and now emerging in the USSR, could lead to miscalculations of Soviet foreign policy objectives by Western governments. Unless there is a clearer understanding of where Gorbachev is leading the Soviet Union, present and future Western strategy towards dealing with it could be fatally flawed.

## FROM TOTALITARIANISM TO LAW

In the light of the internal changes that have already taken place in the Soviet Union the totalitarian model is no longer applicable as a tool of analysis. Analysis on the grounds that Gorbachev is trying to create a market-orientated, pluralistic and democratic society, although perhaps a little premature, does carry more weight. Such an analysis concentrates upon finding similarities between the two systems. It draws a parallel between the problems faced and the solutions posited. The danger of such an analysis is that it is primarily concerned with the economic situation. It proceeds along the lines that allowing economic freedom will result in other freedoms being granted, with the major criticism being that Gorbachev has not proceeded along the path of economic liberalisation far enough to realise the benefits of a market economy. When he does, argue such analysts, not only will the Soviet economy experience a revival, but the social and political situation will in turn liberalise itself.

Gorbachev has clearly recognised that the existing economic system of central planning will not bring about the desired revival of the Soviet economy and satisfy the demands of its peoples for goods. But whilst many of the economic reforms so far introduced suggest that Gorbachev may be looking towards creating an economy based, albeit loosely, on market principles, a closer examination suggests that the end result will be somewhat different. In his report to the newly elected Congress of People's Deputies on 30th May 1989 Gorbachev clearly rejected the market solution.

... some think that whether we like it or not this problem must be solved by switching on the mechanisms of a market economy - let the market sort everything out. We do not share this approach, since it would immediately destroy the entire social situation and disrupt all the processes in the country. (*Soviet Television* 30th May 1989)

The last sentence is entirely true. A transfer of the Soviet economy over to free market principles could ultimately invalidate the role of the CPSU within the economy and seriously question its monopoly on power in other spheres. Thus, Gorbachev must find a third way of reviving the economy which combines the benefits of the former with the control and discipline of the latter. A 'third way' is needed if the CPSU is to retain its legitimacy and revive the Soviet economy at the same time. Gorbachev gave some indication of what this would be in his report to the Congress.

Life has convincingly shown that economic reform is simply impossible without a radical renewal of socialist ownership relations and the development and combination of its various forms. We advocate the creation of flexible and efficient relations for the use of public property, so that each form of ownership can prove its vitality and right to existence in living competition, in a fair contest. The only condition that must be set here is the prevention of exploitation or the alienation of workers from the means of production.

Another crucial area of the economic reform is also inseparably linked to this approach to ownership - the evolution of a full-blooded socialist market. It goes without saying that the market is not omnipotent, but mankind has not devised any more efficient or democratic mechanism of management. The socialist planned economy cannot do without it, comrades, and this has to be acknowledged.

We consider that as the reform intensifies, a system of economic relations will take shape that could be described as a law-governed economy. It will be founded not on administrative commands or orders, but on relations regulated by

the law. There will be a clear-cut division between state direction of the economy and economic management. Enterprises, concerns, joint-stock societies and co-operatives should become the main actors in the economy. To tackle common tasks and to co-ordinate their efforts, they will, I guess, make moves to set up, on a voluntary basis, combines, unions and associations, to which the economic management functions currently performed by the ministries will pass. Both our experience and world-wide economic development trends convince us that this is the right approach.

There is no rejection of socialism; no embracement of capitalism or the free market. One must therefore provide an explanation as to why laws such as those on individual labour activity, co-operatives, state enterprises and land-leasing have found their way onto the Soviet statute books.

### INTRODUCING MARKET PRINCIPLES

Gorbachev does not deny the value of market principles, but rather speaks of the need for socialism (the "socialist planned economy") to incorporate them into its own system. Market principles have always existed within the Soviet Union, but in the shadow, rather than legal, economy. Indeed, it has been the shadow economy which has proved the most effective in supplying goods to the areas where they are most in demand. According to Viktor D Katanov, head of the department for combating speculation (a euphemism for the shadow economy) in the Main Directorate for Combating the Embezzlement of Socialist Property and Speculation of the USSR Ministry of Internal Affairs, 50% of citizens classified as "workers" (non-management) were involved in speculation, as were 50% of women. Such activity amongst "officials and people with financial responsibilities" is occurring "with an ever-increasing frequency". In this category of workers Katanov said that "one in three of those who are known dealers is up to 30 years old", and in general "one in ten [speculators] has never held a proper job anywhere". He added: "Petty speculation on the streets has assumed mass dimensions practically everywhere. So-called spontaneous markets have come into being." (*Moscow Home Service* 2nd March 1989)

Stopping such activity has proved impossible. For many people if it were not for the shadow economy they would either have no access to a wide range of goods, including some foods, or insufficient money to live on.

The major economic reforms introduced since 1987 - Law on Individual Labour Activity, Law on Co-operatives, Law on State Enterprises and Law on Land-Leasing - may be interpreted as a means of introducing market principles into the economy. They may

also be viewed as a means of legalising the shadow economy and controlling those same principles which already existed but were subverted by the existing economic system.

Whilst the laws on individual labour activity and co-operatives provide a legal basis for individuals to earn a living independently of the state, severe restrictions were also included. For instance, before a person may engage in either, permission must be sought from the relevant local authority. These authorities, however, have the legal right to ban any particular economic activity they so choose from being carried out in their area of jurisdiction. Thus when the Law On Individual Labour Activity came into effect on 1st May 1987 it was legal to make "valenki" (thick felt boots) in Moscow, but not in the Ukraine. Housing repairs, on a private basis, were banned in Turkmenia and artificial flowers could not be made in Azerbaijan. Private dress-making was banned in five of the 15 republics and shoe-making in eight, with nine republics making shoe repairs illegal (*Soviet Labour Review* June 1987).

Initially, under the 1988 Law on Co-operatives, these bodies had far more economic freedom, although they were still required to register with the local authority. However, by December 1988 the Supreme Soviet had passed a resolution on co-operative activity which actually banned co-operatives from certain economic activities or said that they could only be engaged in if the co-operative were under contract to a state enterprise. Among the activities banned were the manufacture of perfumes, cosmetics, household chemicals, manufacture and restoration of icons, church plate, articles of religious symbolism and candles. Medical co-operatives, which have been amongst the most successful in the USSR, are now only allowed to function if they are under contract to the state: they have lost their independence. Even if they do obtain a state contract they have been deprived of their main means of earning money, which is by providing a good general service to patients, because they are now banned from "the conducting of statutory preliminary check-ups and examination of citizens". They have also been banned from carrying out surgery and abortions, treating patients with cancer or infectious diseases, drug addicts, and pregnant women.

'Glasnost' is to remain in the domain of the official media, as severe restrictions have also been introduced with respect to the media, the result of which is that co-operatives are excluded from virtually every aspect of it, including the servicing of technical equipment used in the industry. A co-operative may only engage in editorial or publishing services if under contract to "organisations authorised to engage in publishing activity" i.e. state concerns (*Izvestiya* 31st December 1988).

More crippling restrictions have been introduced recently. These include restrictions on the amount of money that may be held in cash by the co-operatives, requirements that all financial transactions are carried out through bank transfers of money instead of by cash, limits on the level of salary that may be paid to employees. The financial restrictions, introduced in the autumn of 1989, require the co-operatives to present a list of employees, with full details, to the bank in order to draw the money to pay wages. By limiting the amount of cash that may be held by the co-operatives their freedom to buy raw materials or completed goods is severely curtailed. The incentive now is to keep outside the banking system, and hold cash reserves illegally in order to conduct business. One of the main incentives for working within a co-operative - the fact that higher wages were possible - has been removed by placing additional taxes on the co-operative should it pay its employees above a certain amount. In addition to these restrictions, co-operatives were also prohibited from buying certain raw materials which, again, restricted their sphere of activity and pushed them increasingly into dealing only in finished goods.

The economic freedoms afforded to the co-operatives when they were legalised in 1987 have gradually been reduced since then making it increasingly difficult for these new small businesses to thrive and provide the basis of a free market economy.

The purpose of the Law on State Enterprises was to place the responsibility for making a profit and loss upon the individual enterprise, whilst the Law on Land-Leasing is looking towards placing the present "private plot" system, which is far more efficient than the state owned farms, on a more legal basis and making it capable of expansion. Thus, whilst the 'movement towards a free market' analysis may have some validity at first glance, a closer examination of circumstances suggests that such validity is only superficial, a view supported by the use of taxation as another means to exert control over the free market elements in the economy.

Workers in co-operatives or engaged in individual labour activity have tended to earn wages much higher than a worker for a state enterprise. The USSR Draft Law on Amendments to the Procedure and Rate of Taxation of the Population, published in *Pravda* (16th April 1989) has already been criticised by Soviet economists such as Tatyana Ivanova Karyagina from a research institute of the USSR State Planning Committee. She said: "... the new draft law, though long overdue, is ill thought out because the top income limit has been set at the excessively low figure of R1,500 and this would damage co-operatives in particular" (*Moscow Home Service* 20th April 1989).

Whilst workers earning less than R80 per month will no longer be taxed and those earning between R81

and R100 per month will have their tax level reduced from the standard rate of 13%, those earning in excess of R701 per month will find themselves carrying a heavier burden. Such are the increases in taxation that the incentive for working harder and earning more is reduced. Further, the additional payments made to workers in the far north regions of the country are to be taxed at a rate of 13% and payments in kind above the value of R700 per month are to be taxed at the same rates as above. The tax incentives given to those engaged in individual labour activity are also abolished.

According to Viktor Aksyutich, director of the Perspektiva co-operative in Moscow, under the present system local authorities have tended to tax co-operatives on an arbitrary basis, the level of taxation depending on the bribes being paid. The payment of bribes is not limited to favourable tax concessions either, with them often being paid to ensure that the co-operative is able to continue functioning. Aksyutich, speaking on a visit to London in March 1989, described what had emerged as a "mafia" consisting of co-operatives and members of the nomenklatura, each interested in preserving their own interests as the system changes.

### SOVIET CORPORATISM

That the West requires a new model of analysis for the Soviet Union cannot be denied. A revision of the corporatist model as an economic, social and political system may provide the basis for such analysis.

Corporatism has usually been considered as a 'third way' between capitalism and communism, and often regarded as a progression from capitalism. If the corporatist model is to have any application to the Soviet Union it must be considered as a system capable of being independent of capitalism and communism, although certain aspects of each may be common to corporatism. One must then proceed to examine those aspects which are common to both corporatism and communism. Ludwig Von Mises has argued that corporatism has its foundations at the end of World War I under Guild Socialism which viewed the role of the state as being to direct production, with the guilds ensuring that the required goods were produced (*Socialism*, Ludwig Von Mises p. 230). It was upon Guild Socialism, argues Von Mises, that Mussolini based his new economic policy of "corporativism", having abandoned his orthodox Marxism - he was "an adamant adversary of patriotism, nationalism, imperialism, monarchical rule and all religious creeds" - in order to maintain his popularity amongst Italians when the country attacked Austria in the First World War.

The Fascist concept of corporatism envisaged an organic society in which citizens were spiritually and morally unified. This unification was to be brought

about through economic policies and institutions which would combine workers and employers in a desire for mutual self-sacrifice for the good of the nation. In this manner conflict between them - the class conflict - would be resolved, and the two would work together in harmony to create a truly integrated state. The key to this, the 'organic' state, was that 'natural' (i.e. economic) social groups would form and that it would be these which undertook the role of decision-making rather than a parliamentary system based on abstract political and geographical groups.

The Nazi concept of corporatism tended towards the romantic, concentrating on it as a means of unifying the 'volk' and when re-named 'national socialism' became rather vague in economic terms and applicable only to Germany at the time. The Fascist model, on the other hand, with its concentration on economic policy, was presented as a system which could be exported to any industrialised society wishing to solve its class conflict and use the state as a non-coercive means of maintaining discipline.

The contemporary concept of corporatism is rather more restricted. Instead of an all-embracing view of an organic society, corporatism is considered to be a shift in decision-making away from a parliamentary system to the three main groups in industrial society: labour, capital and government.

### **THE LEGAL SYSTEM WILL REGULATE ECONOMIC RELATIONS**

On the basis of Gorbachev's report to the Congress on 30th May the Fascist concept of corporatism is perhaps more applicable to the Soviet Union.

Just as Fascism spoke of an 'organic' society, devoid of class conflict, Marx did likewise. However, Marx assumed that the state would wither away as class conflicts were resolved and society became integrated, with relations being harmonised. The fact that this did not happen is irrelevant, but what is relevant is the fact that the whole *raison d'être* of the USSR has been based on the teachings of Marx and subsequent writings of Lenin (regardless as to whether people actually believe them or not). Gorbachev may criticise the leaders of the Soviet Union from 1924 onwards, but he cannot afford to discredit or abandon either Marx or Lenin. Their writings must be 're-interpreted' (as was done under Brezhnev) to fit in with today's climate and justify the present actions of the CPSU. Whilst communists no longer speak of a withering away of the state, they do speak about an 'organic' society. Gorbachev even made reference to this in his Congress report.

It is on Gorbachev's vision of the future of the Soviet economy that the corporatist model appears most applicable. In a "law-governed economy" Gorbachev envisages a situation whereby the legal system will

regulate economic relations, bringing to an end the system of administrative commands and directives as currently practised under central planning, and setting out a "clear-cut definition between state direction and economic management". According to this the economy will only be directed by the state, the management of it being placed in private or semi-private hands, namely workers engaged in individual labour activity, co-operatives etc., a process already commenced by the laws described above.

Gorbachev's views on the functions of the ministries are also common to the corporatist model. With the growing number of 'independent' economic concerns Gorbachev says that he envisages a situation where they will voluntarily group together to form "combinates, unions and associations" in order to tackle problems and co-ordinate their activities.

If Gorbachev were to proceed along these lines, as the evidence suggests he will, the situation could emerge whereby an 'alliance' is formed between government (read CPSU), private business and labour. Such an alliance would be in the interest of the CPSU for it would ensure its predominant position in economics and politics and secure the one-party state. The advantage for private business would be legal guarantees, and therefore power, within the economic system. By transferring the directive powers of the ministry to business, they would not only be able to consolidate their position within the economy but also be able to control competition. Labour would act as the balancing force within the alliance, guarding against excessive control by government or abuse of its economic position by private business, for either could result in a deterioration in the living standards for ordinary people.

Whereas Mussolini was faced with the task of bringing private business together as one cohesive group supporting the government and persuading workers that it was in their interests to co-operate fully with both, Gorbachev is starting from a much better position. Private business is still in its infancy in the USSR and still hampered by strict control. Gorbachev is therefore in a position to offer concessions to the burgeoning business community in return for loyalty to the Party, thereby shaping its development. To a certain extent labour is already organised into disciplined bodies through the official trade unions and the AUCCTU (umbrella organisation of all official trade unions in the USSR). Whilst they are largely loyal to the CPSU, the increasing numbers of strikes by workers for higher wages, complaints that official unions do not truly represent them, and the growing number of unofficial trade unions, is beginning to dent that loyalty. Workers need more than the promise of rising living standards. By providing them with the opportunity to move into the private sector where wages tend to be much higher, and the

possibility of their demands for goods being met if there is harmony between the three sectors, such loyalty may be reinforced.

### BRINGING ABOUT AN ALLIANCE

The feasibility of this scenario depends on three major factors: Gorbachev's ability to create the 'alliance'; the attitudes of the ordinary peoples of the USSR; the response of the West.

To bring about the 'alliance' Gorbachev must be able to demonstrate to the three sectors involved that it will be in their interests to form such an 'alliance'. The CPSU may be persuaded towards this on the grounds that it could bring about the economic revival needed, but not diminish their power within the system as a whole. The 'hardline' element within the Party, although reluctant to accept free market ideas, may be more amenable if control can be guaranteed. With respect to the private sector, Gorbachev's wish to curb the bureaucracy would find favour with both state enterprises and those engaged in the private sector who continually complain about bureaucratic directives and red tape. A form of 'alliance' is already in the process of being forged between co-operatives and bureaucrats, as described by Aksyutich.

For Gorbachev to maintain his own position he must begin to show returns in the economy and the release of business from directives can be expected to do this. His critics, from Yeltsin and leading Soviet economists, down to the man in the street, are crying out for a new means of economic management. Whilst their views may differ on the type of system which they wish to see emerge, it is Gorbachev who is in the position of power and who has the greatest incentive to ensure that the role of the CPSU is not seriously diminished through any such change. The major difficulty that will confront Gorbachev, however, is ensuring that the private sector is more dependent on the Party for its position than vice-versa.

The "combines, unions and associations" about which Gorbachev speaks, may simply become professional organisations, such as the Association of Manufacturers of Domestic Electrical Appliances, Federation of Engineering Design Companies or Association of British Travel Agents which exist in the UK, or act as cartels. The former may be more realistic given that the management functions of the ministries are to be transferred to them, increasing their prestige on the one hand, and on the other maintaining a degree of control over the economy. The controls on the scope and means of conducting economic activity may be considered as tools to ensure that private economic activity is confined to management rather than direction of the economy, and also as a means of preventing too much power going to the business sector. Alternatively, the private sector could organise itself into a powerful economic lobby which would demand

greater freedoms, both in economic as well as in political spheres.

### PREVENTING REBELLION

The second factor concerns the response of ordinary people. It could be argued that just as Marxists criticise capitalism for providing goods to 'buy off the workers' to shield them from class consciousness and prevent them from rebelling against their position in society, Gorbachev is trying to do precisely the same. Since the inception of 'perestroika' strikes in the Soviet Union have increased considerably, usually over demands for higher wages and living standards, and better working conditions. The adequate provision and distribution of consumer goods would no doubt go part way to solving this problem. As for the other manifestations of civil unrest - national, political, social, cultural, literary, ecological - dealing with economic problems will not solve these alone. Whilst some debate is taking place on how these problems may be solved, particularly in the nationalist, cultural and ecological field, Gorbachev and the overwhelming majority of the CPSU has remained steadfast in the view that a multi-party system will not be instituted. In fact, Gorbachev sees the role of the Party increasing: "The main thing for the Party today is to articulate and harmonise the interests of the basic social groups, strata of the population, and the entire people, and to ensure the consolidation of all activities of all links in society's political system." (*Soviet Television* 30th May 1989)

Three steps have been taken so far to bring about this consolidation and deal with those elements in society which wish to transform it into a democratic, multi-party system. The first was taken in July 1988 with the introduction of a law requiring any group or organisation to obtain permission from the local soviet to hold a meeting (even if restricted to members only), demonstration, rally or march. Failure to obtain such permission carries heavy fines or periods of imprisonment, all of which serve to cripple the growing unofficial movement. At the same time Ministry of Internal Affairs troops were given special powers to conduct searches and make arrests, and information has been received from informal sources within the USSR that spetsnaz troops, disguised as militiamen, are being used to break up meetings organised by informal organisations.

The second step was the decree amending the Law on State Crimes (which replaces article 70 of the RSFSR Criminal Code), published in *Izvestiya* (11th April 1989), which imposes heavy fines or terms of imprisonment on those "calling for the overthrow or change of the Soviet state and social system" or "insulting or defaming state bodies and public organisations". This law is just as open to interpretation as

the one it replaced and in many ways is far more wide reaching.

The third step, and perhaps the most important development, is the Soviet claim that they, like the West, also have a problem with terrorists. Between 21st April and 22nd May 1989 there were nine items in the Soviet media relating to specific acts of terrorism in the USSR during that period, including one on hijacks which claimed that there had been 50 such attempts on domestic airlines since 1973 (*Izvestiya Zvezda* 26th April). In the past two years these incidences have not diminished. In addition to these items, there have been a number of articles about informal organisations, particularly the Democratic Union, in which it is alleged that they have shown "terroristic" tendencies and that they do not balk at the possibility of killing people to achieve their aims. Thus, both at home and abroad, the illusion is created that the opposition movement supports terrorism and is therefore a threat to ordinary people, the aim being to dissuade others, in the USSR and in the West, from supporting any group which opposes the domination of the CPSU over society. It also reinforced the view that the Soviet Union is experiencing exactly the same type of problems as the West!

How successful Gorbachev will be in dealing with the attitudes of ordinary people and gaining their support still remains in question, although it can be seen that the legal mechanisms are being put into place to deal with dissent in a manner that would be acceptable and understandable by the West.

### **WESTERN AID FOR GORBACHEV'S PROJECT**

Finally, there is the Western factor. The response of the West to these changes will not only determine how the Soviet Union develops, but also the fate of the West. If Gorbachev's aim is to create a corporatist state, for which the Fascist model is most applicable, the proposals offered by Dr Henry Kissinger to President Bush and Secretary of State James Baker could prove disastrous. The essence of Kissinger's proposals, described by Burton Yale Pines in *Policy Review* (Summer 1989), are that the West, America in particular, should provide "economic aid, credits and other appropriate help" to the Soviet Union as incentives for it to continue to liberalise and at the same time withdraw from Eastern Europe. "For Gorbachev", says Pines, "an agreement would allow him to pose as the co-author of East European liberalisation and to bring to the Politburo a package of economic benefits from the West. This surely is vastly preferable to his losing Eastern Europe by rebellion, which would do more to humiliate Moscow and tarnish the Soviet superpower image than would withdrawing voluntarily from Eastern Europe." If Kissinger, as Pines suggests, is proposing that the

West assist Gorbachev in 'saving face' in Eastern Europe, it may also be deduced that he is proposing that the West provide no support to the unofficial movement in the Soviet Union which is campaigning for change just as similar groups are doing in Eastern Europe.

Whilst Pines speaks of fulfilment of "specific conditions" by Moscow before the economic aid and appropriate help is delivered, he is rather vague as to what these may be, outlining instead a series of criteria by which 'perestroika' and 'glasnost' may be verified and cautioning against any deception by the USSR. It may just be diplomacy which prevents Pines from making any reference to the introduction of a pluralist economy or multi-party state.

The fatal flaw in the Kissinger proposals is his analysis of the Soviet Union. For Gorbachev to have allowed the situation to develop in the way that it has in Eastern Europe suggests that he is no longer so concerned about what happens there; his own country obviously taking higher priority. With Reagan having made Soviet military intervention in the third world publicly unacceptable to the West - a view which has not greatly changed despite the Gulf War - Gorbachev would hardly undertake such a venture into Eastern Europe. This is even more unlikely given the situation in China at present and the criticism that its Communist Party has received from the West. Military intervention into Eastern Europe cannot be considered a viable option for Gorbachev.

With respect to the internal situation in the Soviet Union, Kissinger appears to be operating on the premise that offering economic aid, even if only when "specific conditions" are met, will be sufficient incentive for Gorbachev to change the system, and that such change will be in a manner acceptable to the West. Unfortunately, at the time of preparing this proposal Kissinger could not, or did not consider, the uprisings in Eastern Europe which would result in the liberation of those countries, or the developments within the European Community (EC) towards greater political union and in particular the attitudes of France, Germany, Italy, and Spain towards the USSR.

By the end of 1990 these four countries had all signed economic co-operation agreements (to varying degrees) and what may effectively be described as "non-aggression" treaties with the USSR. Not only do these treaties, if taken at their word and followed to their logical conclusion, place in doubt the contribution that they could make towards NATO, particularly in the case of Italy and Germany, but also in any future European alliance, they also provide the USSR with a back door into the single European market planned for 1992. The promise of economic support, which at this stage does not appear to be dependent upon any further political or social reform,

will provide Gorbachev with the necessary credits and technology to develop at least part of the Soviet economy. The confidence which Mikhail Gorbachev now feels can be clearly seen in his warnings of April/May 1991 when he said that to fail to continue to support him - by which he meant economic as well as political assistance - would be to revive the cold war. Moreover, his demand at the end of May for \$100 billion in aid and credits from the West to prevent the 'collapse' of the economy and return to the cold war suggests that he is more than just confident that the West will oblige.

### **AID WILL STRENGTHEN THE CPSU**

The fact that Gorbachev is trying to change the system is not under discussion, it is what he is trying to change it into that must be more clearly defined before the West embarks on a massive economic reconstruction of the USSR. Indeed, if the corporatist analysis is correct, Western economic aid would do more to assist Gorbachev in this aim, than anything else.

In the first place the suggestion that the West would no longer support the opposition movement in its demands for fundamental change would help Gorbachev deal with the second factor outlined above - the attitudes of the people. Without Western support, both financial and moral, the opposition movement would not only lack the resources it needs to spread its message but be seriously demoralised, as is beginning to happen in RUKh, the nationalist group in the Ukraine. The failure to provide more support to the Baltic states in their attempts to become independent and the rude reception that Yeltsin received when in Strasbourg at the beginning of 1991 to meet with EC officials suggests that the West will not give any support to the democratic opposition movement inside the USSR. A danger that could arise from this attitude by the West is that some groups, particularly those of a nationalist persuasion, would resort to violence to achieve their goal. Under Kissinger's proposals and the mechanisms introduced by Gorbachev to deal with dissent, the West would be incapable of providing any support to such groups and could even sup-

port Gorbachev in maintaining and retaining the one-party system.

Secondly, an injection of capital - either from Western governments or private companies - would also assist Gorbachev in 'buying off the workers' with consumer goods and improving their living standards. A man with a comfortable standard of living is less likely to voice his grievances than one without!

Thirdly, it would reduce the pressure on Gorbachev to deal with social issues and allow him to devote more time to building the new structure, forging the alliance. If a corporatist state is to be the outcome Gorbachev still has room for more liberalisation, the important factor being that through such liberalisation the new alliance must be forged to preserve the interests of the main actors - the CPSU, business and labour. Once this has been achieved, the areas of control established, Gorbachev, or his heir, would be in a position to control any opposition that emerged, whether a multi-party system were established or not.

### **YALTA 2**

The question which the West must face is whether an economically strong Soviet Union under Gorbachev and the CPSU is more of a threat than a Soviet Union undergoing fundamental change that could lead to the demise of the CPSU as the supreme body of power in the USSR and the country's eventual transformation into a democratic, pluralistic, market orientated state. Rather than de-Yaltafying Europe and removing spheres of interest, as Pines suggests, Kissinger's proposals not only serve to accommodate communism, in whatever form it may emerge, but also serve as a blue-print for Yalta 2 - a further re-drawing of spheres of influence in the world which ensures the maintenance of two contradictory systems, and given the nature of the recent treaties between the USSR and West European countries it seems that the whole of Western Europe is increasingly being drawn into the Soviet's sphere of interest as it seeks to present the view that each have a common interest in developing a "common European home".