

MIKHAIL GORBACHEV AND MRS THATCHER ALLIES IN CRISIS

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INTRODUCTION

It is evident, as Bob Arnot has pointed out, that there is little that is really *new* about Gorbachev's economic proposals. It is equally clear, as Bohdan Krawchenko has demonstrated, that Gorbachev has absolutely no chance of doing what he really wants to do: that is, introduce the market. The last point was vividly illustrated in fact, in a speech given by Aganbegyan to the *World Affairs Council* in Los Angeles on the 17th November 1988. In it he talked at great length about how little had actually been achieved so far and how much still needed to be done. Yet, when he came to outline his plan for the future, it was striking (to me at least) how little was really going to change. He discussed the need to raise living standards. The imperative to introduce new technique and the importance of encouraging more foreign investment into the USSR. However, he said nothing at all about fundamentally restructuring the economy. Price reform was not discussed. Unemployment was not mentioned and the problem of establishing a convertible rouble was not even touched upon. It was a careful speech which suggested more of the same, rather than a radical change. I take this as being the official line.

Thus, even though it wants to, the Soviet elite cannot introduce the market. The interesting question for us, obviously, is why it is unable to do so? This in turn raises another, equally important problem: what is the cause of the Soviet economic crisis? For clearly, if there were no crisis, economic reform would be unnecessary. This leads, logically, to a third question: what does the future hold for the USSR given its economic decline on the one hand, and the evident inability of the elite to reverse that decline through the introduction of the market? Finally, we have to analyse the specific measures taken by Gorbachev - short of the market - and examine their impact upon the USSR. As I will try to show, although Gorbachev cannot prevent the disintegration of the USSR (by which I do not mean its collapse), he has been able (like Mrs. Thatcher in Britain), to give a declining system a new lease of life. Historically, that has been his main function.

THATCHER AND CAPITALIST DECLINE

Having raised the issue of Thatcher, let us begin by examining the parallels between *perestroika* and so-called Thatcherism. I would suggest that there are three points of similarity. Most obviously, both were products of economic decline in the two countries. Secondly, as strategies, both were premised on the assumption that the working class was the principle obstacle to economic renaissance. Finally, both were

bound to fail, and, as we shall see, for the same underlying reasons: namely that neither Thatcher or Gorbachev can break the social power of the working class. Let us first look at the Thatcher experience before going on to examine the Soviet Union.

When Thatcher came to power in the U.K. in 1979 the situation was critical. The rate of profit was extremely low (it had dropped to below 2%); differentials between skilled and unskilled workers had narrowed dramatically; and, more profoundly, there was a generalised crisis of class relations. Thatcher set out to right these *wrongs*. Indeed, she was quite open about her objectives. She aimed to raise the rate of profit; increase income differentials; and, in a more general sense, re-establish *normal* bourgeois rule in Britain after the severe battering it had received in the late sixties and seventies at the hands of the British working class.

However, in my view, Thatcherism is not a meaningful term. There does not exist either a doctrine or a policy which can be given that name. Within a few months of taking power, Thatcher abandoned monetarism. She has never had any strategy of achieving the obvious class goals of pacifying and containing the working class. She has proceeded pragmatically towards an end, which is that of the restoration of the market to its nineteenth century place in the economy. Since this is only a pipedream the result has been a muddled policy.

All the evidence indicate that her *policy* is not supported by the bourgeoisie. They consider her government crass in its operation, *parvenu* in its composition and doomed to fail. Heath and Macmillan have said as much.

There are those, Tariq Ali and Stuart Hall for example, who argue that Thatcher has accomplished a change in society equal in scale to that of the introduction of the welfare state. All she has really succeeded in changing, however, is a series of superficial forms. We have seen extensive de-nationalisation, sale of council houses, the defeat of the miners and a series of attacks upon individual sectors, such as education. Yet in all of these cases it can be shown that she has changed very little.

From the point of view of the consumer, denationalisation has made very little difference. Since the conditions of work within a nationalised industry depend upon government policy, privatisation is neither better nor worse for the worker employed in those industries. The savage rationalisations in the nationalised mining and steel industries have taken place under both Labour and Conservative administrations. The few million or so workers who have received a paltry few shares are not going to be long deceived, by this means, into supporting capitalism. Those who argue for a *Thatcher revolution* cite the restrictions on the trades unions as a profound alteration in social relations. It was, however, demonstrably true that the restrictions placed on the unions were popular. They had mass support for the simple reason that the unions do not defend their own members but are bureaucratic entities which have played an increasingly incorporated role. Part of the logic of the attack upon the unions is the emergence of genuine workers' committees, which in her absence, might have taken more time to evolve. In restricting trades unions, she was, therefore, attacking forms

of workers defense, which were already degenerate and possibly even moribund.

In only one sense has Thatcher been a success: she has, as a result of her combined policies (unemployment, tax cuts, anti-trades union legislation etc) helped force up the rate of profit in the U.K. In every other respect, however, she has failed. The British economy is now smaller than it was in 1979. There has been a major decline in Britain's research and development position. Universities in the U.K. have *shrunk*. And there has been no improvement in Britain's competitive position. Thus, whilst Thatcher has succeeded in demoralizing and exposing the pretensions of social democracy, her strategy has done nothing to reverse British economic decline. As a recent study published by the *Centre for European Policy Research* admitted: "Britain.....has not yet transformed itself into an economy capable of rapid growth in the long run."

The failure of Thatcher's policies is most evident in those plants still operating. There, nothing has fundamentally changed. Workers in work simply have not been disciplined. One index of that fact is that output per worker in Britain is still much lower than that of its main competitors. Another has been the constant rise in wages since 1979. (This, by the way, is the reason why inflation still remains a major problem in the U.K.). Nor has Thatcher *rolled back the state*. Indeed many of the key industries that were denationalised (Telecom, B.P., BritGas, etc) still depend upon state support. Moreover, the government still plays a vital role in the U.K. economy. In fact today, it probably intervenes more than it did in 1979. Furthermore, the *needs based* sector of the economy is probably bigger in 1988 than it was in the 1970's. Finally in spite of the increasing authoritarianism of the Thatcher government – itself a reflection of its underlying insecurity – the Conservatives are still constrained by the democratic imperative inherent to all modern industrial societies.

We may contrast Thatcher's achievements with the needs of the bourgeoisie. The ruling class needs to change the class relation in which the worker in the United Kingdom, as in the USSR, works at his own pace and in his own way. In the USSR, this happens in an atomized way. In the United Kingdom, the workers have achieved a similar result through collective action.

The bourgeoisie needs to change management, moving from imperial management, i.e. management as it evolved with the Empire, to one of industrial management. This would require an education system in the U.K. like those of Japan and Germany. It would require the abolition of the public schools and the introduction of mass higher education. Managers in Britain very infrequently undergo higher education and very seldom have knowledge of either engineering or science. The problem is not merely one of knowledge. The manager who manages because he has been to a public school or because he has money, stands in a different relation to workers and is necessarily less effective than a manager who is an engineer, and who worked his way into the position. There has been no attempt, needless to say, to change the nature of British management. Business schools only buttress the existing malaise

of British industry. On the contrary, industry has been left to languish, and class relations in the factory has only been marginally altered.

Who, then, does Thatcher represent, if not the bourgeoisie? The answer is that she represents the fringe and *parvenu* section of finance capital: the property developers, the speculators, merchant and predatory finance capital. She does not express the interests of either finance capital or industrial capital. She is crude and counterproductive, if not dangerous even to the interests of finance capital. Under her rule, for instance, the outsider Murdoch has been allowed to challenge the central positions of old established finance capital. Guinness fell under the sway of the new style predatory capitalists. They do not like her, but they accept that a populist leader can hold the working class at bay, when they cannot do so themselves.

She has taken advantage of the demise of social democracy at the point in time when the end of empire required massive social changes, in a way which has given her popular appeal. She has railed against social democratic bureaucracy, privilege and inertia. She has constantly appealed to British nationalism. But she has not introduced any of the changes which would be necessary. What could have been done by a far-seeing government under the sway of a rising ruling class obviously cannot be done by a ruling class which is declining, uncertain of itself, and parasitic. Teachers and academics, for instance, could have been paid much more to encourage them to teach what was demanded of them by the authorities. Instead they have all taken a hammering. Workers could have been paid more to raise their level of skill and still more if they abandoned protectionist measures. Instead confrontation has been the rule.

Paradoxically Thatcher's one great "success" has been unintentional, she has routed British industry. Once the workshop of the world, Britain now buys more manufactured goods than it exports. Thatcher has stood for British nationalism, but today, as a result of the weakness of indigenous industry, crucial sectors of the economy are dominated by the United States. Cars, computers and even the City itself are increasingly integrated within the United States. Whereas once Britain could possibly have competed with Germany and remained independent of the United States, it is today not a serious competitor to Germany, and is dependent on the USA.

What all this reflects is the contradiction of modern capital. The market is superseding itself. All attempts to restore the market lead only to the necessity for more intervention and resultant weakness rather than strength. In any real sense, the Thatcher programme can be summed up as reactionary utopianism. She has a goal but no means of implementation.

The problems facing the Thatcher government are therefore insoluble. It set out to break the power of the working class in order to prevent the further decline of British capitalism. Yet, given the power of the working class under conditions of the socialization of production, this has proved a utopian project. The working class, both directly - as a result of its position in production - and indirectly - through the pressure

it exerts on the state - has thus rendered impossible any fundamental rejuvenation of capitalism in the UK.

As we shall now see, the social power exercised by the working class in the USSR has posed equally difficult problems for the Soviet elite in its attempt to rescue a declining system. Gorbachev too, has a goal, the market, but he, too, has no means of achieving that end. His *rapport* with Thatcher has been much commented on and she receives much praise in the Soviet press. Their policies, similar in impulse, are equally doomed.

GORBACHEV AND THE WORKERS

From the outset, Gorbachev, like Thatcher, identified the working class as being the key problem. Of course, like Thatcher, he expressed this point in a euphemistic fashion. Yet his message - however coded - was clear. 'The workers have to work harder, stop being lazy and become truly productive members of society'. The key word for Gorbachev (as it had been for Andropov) was *discipline*. This line was also taken up and expounded *ad nauseum*, by the intelligentsia in general, and Gorbachev's advisors in particular. Aganbegyan in the speech cited above, argued that the main opposition to restructuring did not just come from the apparatus, but also from those he carefully labelled people 'in work who do not work'! The implication was that these lazy workers would have to be made to work.

Given the anti-working class nature of the present campaign it is hardly surprising to discover a good deal of cynicism about it amongst Soviet workers. This was demonstrated, for instance by Kostin in a survey analysed in *Sotsiologicheskkiye Issledovaniya* (no 2, 1988). The article was interesting in at least three respects. First, it admitted that alienation still existed in the USSR. This was quite a revelation, especially as alienation had been deemed, officially, by the Soviet regime, to be non-existent. Secondly it showed, quite unambiguously, what workers actually thought about *perestroika*. When asked where *perestroika* ought to begin, over 60% of those questioned answered that it had to start with the leaders (and not with them). Finally the workers were also aware of the difference between real democracy, and the official democratization campaign being conducted under Gorbachev's leadership. Democracy - they maintained - meant freedom of speech, freedom of criticism, equal rights, the ability to choose one's leaders and the widening of the rights of the working class. *Democratization*, on the other hand, was simply another official campaign, just like all the rest.

Worker cynicism about *perestroika* also reflects their justified belief that it will have no impact upon the privileges of the elite. This was revealed in a letter sent to *Pravda* on 18 April, 1988. In this letter (from Magadan as it turns out), a worker complained bitterly about the bureaucrats and factory managers. He wrote: "The administration tells us fellows, work, work, work; then they raise the average speed of drilling and reduce wage rates, insisting that our speed is low and our pay does not

correspond to the work produced". The worker continued: "But for themselves they raise salaries. For what? For sitting in their offices. They do not care about workers or their conditions of work, but how to extract a surplus from those who carry the whole administrative apparatus on their shoulders. For this they increase their salaries!"

One possible strategy for the regime would have been to tackle the grievance about privilege. This might have gone some way to address the problem of worker *alienation*. Indeed this is precisely what Yeltsin tried to do. Only by attacking party privilege (but not inequality as such), Yeltsin sought, in effect, to incorporate the workers. However we know what happened. He was dismissed from his job and attacked viciously by the party leadership, particularly at the 19th Party Conference. In his reply to Yeltsin, Ligachev even went so far as to suggest that party officials were not privileged at all; that they actually received low salaries - a statement which would not be treated seriously within the USSR! Moreover, such a statement would only reinforce the sceptical attitude of the workers towards *perestroika*.

Significantly, while the question of privilege has been raised on several occasions - both by Yeltsin, as well as by the trade unions at the 27th Party Congress - it has made no real headway amongst the party leadership. Nobody (except Yeltsin) was prepared to push the issue. One would have thought that if the leadership had any political sense, they would have addressed the question more forcefully, yet they haven't. What this implies is an extraordinarily rigid regime which has little, or no, capacity for change. After all, what Yeltsin was proposing was not the abolition of the elite as such, but the reduction (possibly the elimination) of the specific type of non-monetary privileges currently enjoyed by them, and their replacement with *normal* monetary rewards. However the regime was not prepared to countenance such a move. That, to me, is yet one more indication that nothing is going to change. For surely, if the regime were serious about trying to incorporate the working class, then there would have been some gesture in their direction aimed at trying to overcome their indifference or hostility to economic reform.

SOVIET DECLINE

Having examined the position of the worker, let us now broaden the discussion to analyse the origin of the current crisis.

The orthodox Soviet (and western) explanation of the present *impasse* runs as follows. The previous *extensive* form of growth - that is the quantitative development of the means of production - has now come to an end. The USSR, it is reasoned, must, if it is to develop further, go over to an *intensive* phase of economic growth. Unfortunately (for a variety of reasons) it is unable to do this. Hence the current crisis.

There are several things wrong with this analysis. Most obviously, it takes a general thesis abstracted from the history of capitalism and attempts to impose it - quite mechanically - upon the USSR. This is quite absurd. If nothing else, it is highly improbable that a theory based upon the history of one economic system is likely to

be correct in relation to the history of another. More seriously, however, this approach separates the discussion about the *economy* from an analysis of social relations. Let us explore this problem a little further.

At the heart of the Soviet crisis is the relationship of labour and labour time to the economy. The problem can be formulated in the following way. Until very recently, the regime could command a vast quantity of easily exploited labour. There were three major sources of this labour: the countryside – decimated economically by Stalin's agricultural policies; the family (by the end of the thirties nearly all women worked; and, to some degree, Eastern Europe after the Second World War. Today however, these sources no longer exist. The inevitable consequence has been a decline in the labour supply – and a consequent decline in *growth* that has only been made possible by the availability of a mass of labour.

The problem is not just a quantitative one. It also relates to the question of technique and the introduction of new technology. The USSR, as has been documented elsewhere, has always had great difficulty in introducing new technique. The only way in which it has been able to solve this particular problem - quite simply - has been to put up new factories. (Today for instance, over 66% of all new technology goes into newly constructed factories). Now, this approach can work, after a fashion, but only so long as there is an ample supply of labour to construct the factories in the first place. What happens, however, when the supply of labour runs dry? The answer is clear: fewer new factories are built and thus less new technique is introduced. The result, again, is economic stagnation.

In short, the Soviet economic crisis is first and foremost a crisis caused by a decline in the labour supply - which in turn has led to a crisis in the introduction of new technique. But that is not all. Inevitably, where labour is increasingly scarce, it becomes more powerful: in this respect the power of the Soviet working class has grown over the past thirty years. As a result the working class has strengthened its position in relation to the elite and reinforced its negative control over the work process. This has been reflected in two areas in particular: wages and norms.

Under Brezhnev wages rose quite considerably. In fact workers did very well in the *years of stagnation!* Thus, in 1960 the average monthly income was 90 roubles for workers; by 1986 it had risen to 216 roubles, a very considerable rise - particularly since 1962 (the year of the Novercherkask riots) the regime has not increased the price of milk and bread. Naturally, Brezhnev was no more pro-worker than Gorbachev. But he was forced to concede to them. He was also forced to make concessions over the question of norms. There is, as we know, a long history to this question going back to the thirties. However, in the Brezhnev period the problem clearly grew. One indication of this, ironically, was the tendency for plans to be over-fulfilled. This was not a sign of economic health, but rather, a reflection of the fact that the centre was unable to control the norms. This had two consequences: it led to a rise in wages as worker bonuses grew; and more seriously, it reinforced the control exercised by

workers over the production process, thus increasing the level of inefficiency in what was already an inefficient economy.

Perhaps one of their best indices of this increasing inefficiency and waste can be found in housing construction (I cite this example singly because it was used by Aganbegyan in his November 1988 speech). According to his figures, the construction of flats in 1984 was approximately what it had been in 1960, that is about 2 million (although the population of the USSR had risen about 30% during the same period). The cost of construction however, rose by nearly three times! The same trend of increasing costs, but diminishing results, can also be found in agriculture. But what was true for agriculture was also true for the economy as a whole. As the official figures show, the capital-output ratio went up enormously in the period before 1985. In effect, one can speak of a *law* of increasing inefficiency or waste under Brezhnev. It is this which ultimately led to the crisis of the early eighties that first brought Andropov, and then Gorbachev, to power.

GORBACHEV'S DILEMMA

It is perhaps no surprise that Gorbachev is regarded with scepticism by the working class, but has become the new hero of the Soviet intelligentsia. He is, so to speak, the intelligentsia's man in the Kremlin. He has, after all, granted them greater intellectual freedom; and he has made a deal with world capitalism which will benefit the intelligentsia in terms of greater access to the West. But he has tried to do much more than that.

Basically, whereas Brezhnev conceded to the workers, while attacking the intelligentsia – a primary cause of intellectual dissent in the USSR after 1964 – Gorbachev has done the opposite. Thus, not only has he made a series of material concessions to the intelligentsia since 1985, he has also attempted to discipline the working class. Little wonder therefore that a joke has apparently been circulating amongst workers in Kharkov: "Bring back Brezhnev". This response makes some sense of course. After all Brezhnev was prepared to buy peace by giving in to the workers; Gorbachev on the other hand, has declared that this *peace* has led to industrial stagnation and social decay. As a result he has brought into question what some observers have called the *social contract* between the Soviet regime and the working class. The crisis of the system, he implies, means that the elite can no longer afford to concede to the worker. If drastic action is not taken, the USSR – he insists – can only continue to decline.

If Gorbachev were to challenge the working class directly, this would have momentous ramifications for the system. It would also be a very dangerous move, and so far at least he has done little to alter things. To understand why we must briefly examine the relationship which exists between the working class and the Soviet elite.

As I have argued elsewhere, the elite has never managed to establish full control over the economy in the USSR. The reason for this, quite simply, is that since the

thirties the working class has been able to achieve a limited degree of negative control over the work process. It is this *control* which has led to the enormous waste endemic to the Soviet system: it is this that Gorbachev has to break if he is to achieve his objective of economic restructuring. Therein lies the problem. For if he is to achieve his goal, he must challenge the working class head on – a move which could easily provoke social unrest. There are three reasons why.

First, it would be impossible for the elite to regain control over the labour process without introducing unemployment. For so long as workers are guaranteed a job, they cannot be disciplined. However, as Gorbachev has admitted, if the right to work were removed, this would undermine what he termed in his book *Perestroika*, the *organic unity* of the USSR. Second, the establishment of control by the elite would involve (indeed would necessitate) much more detailed supervision over the workers to define norms, and tighter management on the shop floor by factory directors. However, such a move would be resisted by a workforce which has hitherto *enjoyed* a large degree of autonomy within the factory. This in turn raises another problem: that if the individualised forms of control now exercised by the worker were removed, this would lead to the rapid politicization of the working class as they moved from being what they are – an atomized socio-economic category – to becoming something else, namely a collectively defined working class, or in theoretical terms, abstract labour. This would be highly de-stabilising. The elite is thus trapped. On the one hand, if it accepts the current situation, the USSR will continue to stagnate: yet if it seeks to change the system, the Soviet working class will be changed into something very different and more dangerous. The individualised forms of control now exercised by the worker over production may cause waste on an immense scale: however, the same individualisation keeps the system stable by keeping the worker atomised. It is this the elite would undermine if it sought to challenge that control.

Of course it could be objected that this unrest could be contained by the secret police. (Gorbachev, incidentally, has never proposed the abolition of the KGB's 1st Department inside the factories). I do not underestimate the power of the secret police. Yet, even they could not control the working class once it began to move. Moreover, we should not ignore the enormous weight of the working class in the Soviet Union today - a function not only of its sheer size, but of its extraordinary concentration as well. Industry in the USSR - we should recall - tends to be located in a particular way. This is no accident. Because the elite has always had great difficulty in controlling the economy, it has, ever since the thirties, tended to build industry in huge factories in a few key areas. To contain the centrifugal tendencies in the economic system the elite - in effect - has chosen, or been forced, to aggregate plant as far as possible. Naturally, this has had a profound influence on the shape and character of the Soviet working class as well. Because of the size of Soviet factories, and their location in four or five regions, the working class in the USSR exists in an extraordinarily concentrated form. Therefore, potentially, this makes them extremely powerful. Interestingly the situation

today is very similar to what it was in 1917 when there were also enormous concentrations of workers located in gigantic integrated plants in relatively few areas. Not surprisingly some of the more intelligent commentators in the USSR today have actually suggested breaking down these concentrations. It is highly unlikely that this will ever happen.

Gorbachev, manifestly, cannot challenge the working class and for this reason cannot introduce the market. Even some Western commentators, like Ed Hewitt of the *Brookings Institute*, admit the real problem for Gorbachev is not so much the *bureaucrats*, but the workers whose position would be adversely affected by serious economic reform. "That is why" he writes, "economic reform in the Soviet Union is so difficult to carry out, and why previous efforts at reform have had such a chequered history".

GORBACHEV BUYS TIME

Gorbachev is obviously unable to carry out the programme outlined for him by the *radical reformers*. What he has been able to do however, is to extend the life of the Soviet system. This is no mean feat. Let us not forget that when he came to power in 1985 people were in despair and the regime looked tired and ossified. The intelligentsia in particular had reached its nadir under Brezhnev. Moreover, the USSR's international position appeared extremely weak. Today things look very different indeed. The intelligentsia now has a positive attitude towards the system. There is amongst many people a new hope about the future. And the Soviet Union is no longer the pariah state of the new international system. Gorbachev, clearly, has breathed some new life back into the Soviet political corpse. The appearance of serious reform at home, and the reality of meaningful change in the US-Soviet relationship, has done much to bolster the regime.

The depth of the Soviet crisis also seems to have increased the intelligence of the Soviet elite. This has been reflected in the serious discussion which has taken place recently around the question of how best to control Soviet labour. Gorbachev and his advisors have obviously thought long and hard about the problem. The solution they have hit upon, not surprisingly, is the traditional one of exploiting the pre-existing division within society, particularly those within the working class, and those between the workers and the intelligentsia. The publicity given to the research of Tatiana Zaslavskaya attests to the importance now attached to the *scientific* study of this problem. Her many admirers in the West regard her with awe; the fact remains however that her work (like that of most social scientists in the USSR) is almost Machiavellian in its purpose of serving those in power. However, she and her colleagues seem to have served their purpose and have identified at least four potentially exploitable divisions in Soviet society.

The first is the fairly obvious but nevertheless important division between men and women. Gorbachev, as we know, has already touched upon the *zwoman question*

in several of his speeches. Arguing that *perestroika* has to improve the lot of Soviet women. It is also significant that many of the experiments introduced to improve productivity since 1985 have been implemented in light industry where female labour is dominant. Finally, if some forms of unemployment were to be introduced, this would almost certainly be accompanied by calls for women to 'return to the family'. Gorbachev has thus taken a definite line on this particular question, hoping either to pull women behind his programme by references to their oppressed position in Soviet society; or to exploit the fact that women are a more easily disciplined section of the labour force; or even – if a shake out of labour were to be contemplated – to use the tried and tested argument that a women's place was in the home.

Another possible line of division that could be exploited by Gorbachev is the one between workers in privileged and less privileged regions and Republics. It would, as we know, be difficult and dangerous to play around with reforms in the sensitive areas around Moscow, and Leningrad. On the other hand, it might be feasible to experiment in the more peripheral areas where, from a political point of view at least, there is less of a threat to the regime. What Gorbachev cannot and will not do, however, is to change the underlying regional inequality in the USSR, since this division, in a contradictory way, is a source of stability for the system as a whole.

However, the two most important sociological fissures which the regime has been exploring in its attempts to better control labour are those between skilled and unskilled workers, and the intelligentsia and the working class as a whole. In her *Novosibirsk Report* (published in the journal *Survey* in 1984) Zaslavskaya even made specific references to the fact that the regime had to get both the intelligentsia and the skilled working class onto the side of the reform programme. Since 1985 this is exactly what Gorbachev has attempted to do with some degree of success, at least in the case of the intelligentsia. He has been less successful however, in integrating the skilled worker. The reason for this, quite simply, is that it is by no means clear that there is a major difference between the skilled and unskilled in terms of real income. In fact, at present, most skilled workers are in the same grades as semi-skilled and thus receive more or less the same monthly wage. It has also been difficult finally, to increase the level of inequality between specialists and the working class. Doctors, teachers and scientific workers have had salary increases under Gorbachev; the situation for the technical intelligentsia who work in the factory (and whose income is determined by output) has not improved at all. According to a recent statement by the Deputy Chairman of the State Committee on Labour, the regime had manifestly failed to achieve "its main object of surmounting egalitarianism in the payment of labour" in Soviet plants. "In some instances" he continued, "specialists are being allocated pay up to 25% below that of workers in the same factory. Differentiation amongst workers (he complained) has not been imposed either. Nor have norms been raised. Moreover 180% over-fulfillment of the plan continues." That statement was made after the recent wage reforms had been introduced.

Finally, the campaign to raise productivity by increasing inequality between the different social layers (the so-called anti-levelling campaign) has run into one other obstacle: how to introduce money type incentives where money is not money because there is no real market. Without a genuine market (particularly where there are major shortages) it is in fact extremely difficult to create meaningful money inequalities which will then act as a spur to productivity. For this reason the campaign against levelling is almost certainly bound to fail.

CONCLUSION

The crisis in the Soviet Union today is a profound one. However, as I have tried to show, it cannot be explained in terms of an aborted transition between the extensive and intensive phases of Soviet industrial development: nor is it the consequences of a "marxist experiment which has failed" to quote the headline in a recent American magazine. Rather it is the result of a change in the supply and the nature of labour. This change, as we have seen, has led to a strengthening of the working class and, inevitably, to an increase in economic inefficiency. The only possible solution to the Soviet economic crisis – at least from the point of view of the elite – would be to challenge the negative control exercised by the working class over the economy by introducing the market. But, as I have demonstrated, this is impossible for it would ultimately lead to worker unrest which would be economically disastrous, internationally damaging, and politically difficult to crush. For this reason Gorbachev, in the historic sense, can go nowhere.

Yet, if the regime has been unable to discipline the working class by going over to the market, it has – as I have argued – bought time for itself: first by exploiting divisions within Soviet society; second, by integrating the intelligentsia; and finally, by giving the impression at least, that the system is now being regenerated by a new dynamic leadership led by a man who has authority at home and great prestige abroad. Finally, as Michael Cox demonstrates in his paper, Gorbachev has further bolstered the Soviet system by striking an historically important *new deal* with the United States. Of course none of these moves will solve the Soviet crisis; but they have given the USSR a new lease of life.

Gorbachev does have one more card to play: in agriculture. His next strategic move, obviously, will be here. (Indeed the basic shape of the reform programme in this area has already been outlined). If he can improve the food supply (through a limited degree of privatisation) this will further extend the life of the system. Privatisation, however, will not solve the agricultural crisis as many in the West believe – for the simple reason that "Soviet industry" (to quote Sandy Smith in *Critique*, No. 14) "is incapable of supplying the inputs required." However, if the standard of living does go up as a result of agricultural reform, then Gorbachev's position will have been strengthened and the USSR saved, albeit temporarily, from its fate.

But ultimately the Soviet elite cannot manoeuvre its way out of economic

decline; nor can it solve the problems generated by the inevitable disintegration of Soviet society. Hopefully, therefore, when its room for manoeuvre disappears, other – more democratic – forces will emerge to solve the problems that they have created.