

## Summary of articles

### *The Dynamics of the Gorbachev Reforms*, by David Dyker

The author investigates the reasons why the Soviet reform programme is running into increasing difficulties. He argues that the budget deficit is the central characteristic of the new crisis of stagnation. On the one hand, it represents a direct reflection of the severe structural problems of the Soviet economy, the deep-seated tendency to loss-making, the tradition of giving budgetary support to unprofitable economic activities. On the other, the inflationary pressure the deficit generates represents the biggest single obstacle to effective reform of the planning system, since it makes it impossible to liberalise and rationalise the price system without running the risk of hyper-inflation. At present the prospects for effective *perestroïka* are not good.

*Journal of Economic Literature* classification numbers : 124, 134, 322.

### *Intra-CMEA Relations and Domestic Reforms : Some Interactions*, by Marie Lavigne

Along with the domestic economic reforms going on in the Eastern European countries and in the USSR, a reform of the socialist economic integration framework, the Council for Mutual Economic Assistance (CMEA) has been on the agenda for already many years. It has proved impossible to achieve integration through plan coordination. A unified socialist market has been contemplated since 1988. But after the Eastern European "revolution" of 1989 the prerequisites for such a market are politically not feasible. From the economic point of view, the domestic bases of market-type economic relations within the CMEA region are not yet created. Yet, it is argued, there is a need for some organization of these relations, as integration within Western Europe cannot be the solution.

*Journal of Economic Literature* classification numbers : 423, 052, 124.

*Stabilisation and Reform Sequencing in the Soviet Economy*, by Mario Nuti

This paper reviews the progress of Soviet economic reform and investigates the reasons for its apparent lack of success. It is argued that Soviet economic reform has failed to complete itself, on a large enough scale and in the correct sequence. The missing steps are : economic stabilisation; the severance of enterprise links with central government bodies, the abolition of the monopoly power of large enterprises and their associations, the guarantee of the strictly residual nature of enterprise income. The paper proposes a tentative sequencing of policies and institutional changes, giving primacy to domestic stabilisation.

*Journal of Economic Literature* classification number : 052.

*The Social Obstacles to Economic Reform in Hungary*, by Zsuzsa Ferge

The eastern European systems, Hungary included, need complete restructuring. Radical political reform needs take precedence over the economic reforms : no genuine economic reform is possible without a legitimate, democratically elected parliament and government. The transformation of the planned into a market economy has started before the elections. Marketization and privatisation have been pressed in the fields where resistance has been the smallest, *i.e.* where the losses hit the weaker groups — *i.e.* in case of health, social security, and such like. Also, inflation and unemployment are accepted as inevitable. The result of neoliberal measures introduced in a totalitarian way is the rapid impoverishment of the population and the increase of inequalities. The mounting tensions may become an obstacle to genuine reforms.

*Journal of Economic Literature* classification numbers : 130, 910.

*Labour Redeployment and Cooperatives in Soviet Union*, by Silvana Malle

Policy approach towards employment has changed under *perestroika*. The emphasis is falling on the release of labour from the material branches and on its partial redeployment in the service sector in general and in the cooperative sphere in particular. The pattern of labour redeployment, however, does not suggest that under *perestroika* the labour market has become less taut. Since cooperative and individual activities draw out of the state sphere the best cadres, the inefficiency of the state economy could increase. Recurrent criticism

against cooperatives and price control measures indicate that political and ideological barriers against private enterprise are still considerable.

*Journal of Economic Literature* classification numbers: 027, 052, 824.

*Introducing the Market in a Shortage Economy : The Vertical Integration Issue*, by Gérard Roland

It is well known that in the traditional Soviet-type economies, there is a spontaneous tendency of enterprise and ministries to integrate vertically, as a response to the supply uncertainty typical of a chronic shortage economy.

The main purpose of the paper is to analyze the link between the vertical integration issue and economic reform. It is argued that, in an institutional context with fixed prices, when there is shortage of inputs, enterprises consuming these inputs will generally not be able to agree on a rationing scheme, in the absence of vertical integration. This decisional vacuum entails the functional necessity of a central planner who will decide on the rationing scheme. It is shown that this result may help to highlight some of the key theoretical and empirical issues of economic reform. One of its main implications is that, in an economy where vertical integration is weak, the abolition of imperative planning can hardly be successful if shortages are not suppressed at the same time. On the other hand, it is much easier to abolish imperative planning if the economy is highly vertically integrated but, because vertical integration destroys the competitive nature of markets, the main goals of economic reform cannot be fulfilled unless additional structural changes are introduced in order to create a competitive environment.

*Journal of Economic Literature* classification numbers: 052, 053, 610.