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CURT -- CLOCK THAT CAN'T BE TURNED BACK F-35

Munich, 27 August (EERA) Schaefer --

Summary: One of the fundamental goals of the Communist systems has been to build advanced, industrialized economies. Their success in economic development is a measure of the problems now faced by the men who made the decision to invade Czechoslovakia. Nothing can be done to remove the underlying economic forces that played such a major role in bringing about the reform in Czechoslovakia and that have long frustrated efforts to build a viable integrated economic community under Comecon. Over the past year, many progressive voices were raised urging fundamental changes in the institutions for conducting economic relations within Comecon. Given the additional economic problems that the decision to invade has created, the need for bold, imaginative changes will be even more urgent. While one may doubt that those who made the decision will be capable of designing and implementing the necessary steps, the consequences of inaction may come sooner and prove more serious than the invaders of Czechoslovakia imagine. The economic clock cannot be turned back.

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Whatever the precise mix of fears that impelled the decision to invade Czechoslovakia, this step was based primarily on political, rather than economic, considerations. Yet it is worth recalling that economic pressures were an integral part of the movement for reform in Czechoslovakia, and that Novotny's inability to cope with, or even to comprehend, the needed economic reforms was a major factor in his downfall. Moreover, the Czechoslovak flirtation with the West was primarily economic and, had the Soviets not had such poor results from their previous attempts to bring recalcitrant satellites to heel through economic pressure, this approach would undoubtedly have been given a more serious trial in Czechoslovakia.

By moving to crush the Czechoslovak political reformation which had so overshadowed the economic issues in recent months, the Soviets and their friends did nothing to meet the underlying economic problems, either in Czechoslovakia or throughout the rest of Comecon. The forces for economic change which prompted reform in Czechoslovakia will continue to grow, both there and in other Comecon countries, including the Soviet Union. While initially the problems of merely getting things going again will be of overwhelming priority, the pressure for change may reappear sooner and more urgently than the Soviets expect. Even now they appear to realize that today a Novotny would be simply incapable of managing Czechoslovakia, even if his political power were secured by an overwhelming Soviet military presence. One of the greatest ironies of the Soviet decision to suppress progressive forces in Czechoslovakia lies in the fact that economic development has been cited as a basic motive of, and primary excuse for, totalitarian political control. Yet it is the very success of this drive that now prevents the economic clock from being turned back very far or for very long without disastrous consequences;

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for both within and among Comecon states, the present economic institutions have proved barely able to cope with the world of 1968.

By now the long list of problems that have faced Comecon is very familiar. Perhaps so familiar and unchanging that to many they seem insurmountable. These major barriers to economic progress include: the lack of a cost and price criterion; the lack of multilateral clearing or convertibility; the shortages of fuels and many raw materials (which have been exacerbated by the development of autarkic heavy industries); the very limited success of specialization and scheme for cooperation among member countries; the reluctance to supply technology due to lack of compensation; the awkward, and infrequent ad hoc arrangements for capital or labor flow; and, most recently, the inability to adjust to decentralized decision-making within member states. As was again evident at the last Executive Committee meeting before the invasion (1) it has long been clear that the regular policy-making machinery of Comecon could provide no real solutions. These problems are too fundamental and the character of Comecon institutions much too archaic to permit any real progress within the present framework. And these problems have grown with every effort to develop new forms of economic relations, with every effort to rationalize production, investment, or trade, and with every step toward economic reform. What has long been needed, but (largely due to Soviet recalcitrance) not made, is a political decision to promote, or at least to allow, the major changes which many have called for. This continued failure to act helped to persuade the Czechoslovaks to look to the West and to decide to pursue convertibility unilaterally, as well as to prompt the decision at Dresden and Bratislava to call an urgent economic summit conference in the midst of political crisis. This failure also induced a growing sense of urgency in recent pleas for the reform of Comecon.

There has been a wide variety of views on what should be done and what are the crucial barriers to more effective economic relations within Comecon, but even in the countries least concerned and in these with the least imagination (including the Soviet Union), remarkably progressive ideas have been expressed. For some time the focus has been on financial problems. For example, a year ago a Polish economist was arguing that the basic condition for an effective price system and multilateralization was operational exchange rates among Comecon currencies; and shortly thereafter a Soviet author called for a new trade mechanism that would directly link production with foreign trade prices through realistic exchange rates.(2)

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- (1) The 35th session of the Comecon Executive Committee, which was held in Moscow from 16 to 18 July 1968.
  - (2) Polaczek, "Trade Price System Problems Among Socialist Countries," Gospodarska Planova, August/September 1967, Warsaw; Tarnovsky in Voprosy Ekonomiki, No.10, 1967.

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In December a Hungarian economist predicted that steps would soon be taken toward multilateralism along these lines. (3)

After the beginning of the year the need for new initiatives became even more apparent, as Hungary introduced its economic reform and Czechoslovakia decided to embark on a regeneration of its reform program. In recent months the discussion of Comecon's many faults has perhaps been most candid in Czechoslovakia, where early this month Deputy Prime Minister Hamouz was pointing to the currency-financial question as being of "key significance" for the solution of other problems. (4) The incapacity of Comecon has become so glaring, however, that even in Poland, where the market concept and its promoters have been under sharp attack by the reactionaries, the discussion of Comecon reform has grown in recent months. This Polish discussion, in fact, has been of such magnitude that a Yugoslav commentator was recently led to predict a new Polish initiative in this field. (5)

While the discussion of Comecon's future was becoming more intense, concrete developments were further undermining its role and authority. The disintegration of Comecon was proceeding from formal acceptance of members' non-participation in particular spheres of cooperation and efforts to maintain at least a monitoring role in the growing bilateral relations of its members, to more frequent by-passing of Comecon altogether in economic dealings and the exclusion of one member (Rumania) from top level meetings. Allowing Comecon to continue to disintegrate, however, is obviously no answer, either for the Soviet Union or for Eastern Europe.

Although Soviet inaction since Khrushchev's abortive call for supra-national planning in 1962, and the decision to invade Czechoslovakia rather than to tolerate reform, hardly make the prospects for a reform of Comecon very bright, such a step still offers the most effective and least costly way to revive economic relations among the Comecon countries. Again as in the aftermath of 1956, the Soviets will be under great pressure to provide massive aid to the disrupted economies of Eastern Europe; but, given the already existing tensions over economic allocations in the Soviet Union, the sharp increase in military spending since 1966, and the expected pressure for an even greater military effort, the economic decisions will not

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(3) Radio Free Europe Special/Devlin; New York, 6 December 1967.

(4) Interview reported on Radio Prague Domestic, 8 August 1968, 1900 hours.

(5) Belgrade Tanjug International Service in English, 1 July 1968, 1614 hours GMT.

be easy, and it can be expected that they will add to the strains both within the Kremlin and among the invaders, as the economic burdens of their misadventure become apparent. Moreover, because of the industrial and technological advances since 1956, when raw material shortages were the primary source of economic problems in the area, even large additional Soviet supplies cannot have as beneficial or as lasting an impact on Eastern Europe as they did at that time. A much improved system of economic relations is even more important in 1968 than it was in 1956, after which a major effort was made to reshape Comecon to meet the need for integration of its increasingly sophisticated economies..

Given the dominance of reactionary forces in the USSR, it cannot be excluded that Khrushchev's abortive supra-national scheme of 1962 will be revived, but this would imply a reversal of even the limited reform progress in Eastern Europe and in the USSR itself. It would seem more likely that there will be a period of stagnation, in which the old forms and methods will have to be applied until the leaders can turn from their preoccupation with political and military matters, and that this will be followed by the introduction of widely-heralded but essentially conservative changes as the Soviets again struggle to design new economic policies in an effort to bolster political control.

Cautious innovations, however, will not prove effective for long. The economies that have been built are still there, growing, diversifying, modernizing. They must have a new technology, new institutions and new markets. In a word, unless modern, viable economies can be created, Eastern Europe will continue to be confronted by the economic forces that contributed so much to Novotny's downfall and to the whole dramatic sequence of events that followed, long after the military and political dust has settled.

Perhaps the invaders of Czechoslovakia may find some consolation in Marx's dictum that "no social order disappears before all the productive forces, for which there is room in it, have been developed." But they surely cannot find much comfort in the sequel that "with the change of the economic foundation, the entire immense superstructure is more or less rapidly transformed." (6)

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(6) Karl Marx, A Contribution to the Critique of Political Economy.

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