

## Soviet Economy by Konstantin George

### Supreme Soviet unveils new NEP

*And makes no bones about the fact that the military-industrial sector will get whatever it wants.*

The autumn session of the Supreme Soviet opened on Nov. 17 in Moscow, and ratified party boss Mikhail Gorbachov's "long-term program for accelerating scientific and technological advances" and "a draft budget for next year," according to Radio Moscow's report of the same day.

Since the Soviet "parliament" merely rubber-stamps decisions already reached by the ruling Politburo, it was no surprise that the Supreme Soviet echoed Gorbachov's demands for a high-technology "transformation" of Soviet industry and society—a transformation which will feed Russia's unprecedented military buildup. The Supreme Soviet conveyed as top priority the "need to increase high-technology investment." What was remarkable, was how the priority of Russia's military-industrial sector in getting any level of investment it wants, was so openly formulated.

Soviet Finance Minister Boris Gostev told the first day's session: "The armed forces of the U.S.S.R. will get as much funds as they need to maintain an adequate level of defense." Gostev also announced that the official defense budget would rise to 20.2 billion rubles for 1987. While Soviet official defense budgets are meaningless in terms of what Moscow actually spends on its armed forces, the increase signaled a much larger increase in real military outlays.

Over recent months, Gorbachov has brought back a phrase not heard in the Russian lexicon since the 1920s—

NEP. The New Economic Policy under Lenin and for a few years after his death allowed Western investment in the Soviet Union, and allowed the creation of a limited private sector in agriculture, services, and skilled handicrafts.

The NEP was motivated by urgent state-security considerations. A private sector was created to fill critical gaps in the economy. Foreign investment was sought because Russia needed Western technology on a huge scale to build a new industrial base and modernize the old one. The same urgent state-interest questions govern Gorbachov's current resurrection of NEP.

The Supreme Soviet ratified the first NEP-style "privatization" laws outside agriculture since the 1920s. The first law permits private firms, confined to family members only, in 29 areas, which range from making toys and fishing tackle, to driving a taxi, operating a small cafe, and all sorts of repair services.

This means that families can "moonlight" after their regular jobs with state enterprises—as in Hungary—in any of the 29 prescribed areas. It costs the State nothing, and could help solve the worst irritant-bottle-necks in the Soviet system—such as the odyssey involved in mundane matters such as shoe, TV and radio, and watch repairs.

The second measure allows for cooperatives of 5 to 50 members to be established, in manufacture, repair,

and services. Eligible for such cooperatives are pensioners, students, and housewives, categories involving millions not in the state labor pool. Again, this costs the state nary a ruble.

The Supreme Soviet, attended by Gorbachov and the full Politburo, also passed a law allowing 70 large enterprises to engage in foreign trade, without having to go through the Foreign Trade Ministry. Under the new arrangement, for example, the Lada state automobile enterprise can conduct and sign its own export contracts with Western firms, and allocate the foreign exchange it earns as it sees fit.

The measure is designed to rake in more hard-currency export earnings, to be used to hasten the pace of modernizing Soviet industry.

The Supreme Soviet also moved to loosen up food sale procedures for collective and state farms, to increase their income. Now, such farms may sell up to 30% of their annual produce in vegetables and fruit at higher prices, either to the state, or, in competition with the production from private plots, on the open market. In addition, all production above the annual quota can be sold on the open market, as is done with food grown on private plots.

Finally, to facilitate a massive flow of Western industrial technology into the economy, joint ventures with Western firms are now allowed, for the first time since NEP. Soon after the Supreme Soviet session ended, the first such agreement was signed, with the Swedish company Sandvik AB, to build a tool manufacturing plant in Byelorussia.

As in the 1920s during NEP, there is no shortage of Western business interests willing to increase trade with Moscow. In all the Western euphoria over Gorbachov's "liberalization," it would be wise to recall Lenin's characterization of the NEP—to "supply us with the rope to hang them."