



---

# Review of Economies in Transition

## Idäntalouksien katsauksia

---

1995 • No. 8

15.12.1995

---

Reprint in PDF format 2002

Pekka Sutela

### Economies Under Socialism: the Russian Case

Bank of Finland  
Institute for Economies in Transition, BOFIT

---

ISSN 1235-7405  
Reprint in PDF format 2002

Bank of Finland  
Institute for Economies in Transition (BOFIT)

PO Box 160  
FIN-00101 Helsinki  
Phone: +358 9 183 2268  
Fax: +358 9 183 2294  
bofit@bof.fi  
www.bof.fi/bofit

The opinions expressed in this paper are those of the authors and do not necessarily reflect the views of the Bank of Finland.

## Economics Under Socialism: the Russian Case<sup>1</sup>

This paper is divided into three parts. First, some general comments are offered on the interconnections between socialism, reform and economics. Second, a historical typology of socialist reform economics is offered. Third, a few important insights by Soviet economists are pointed out. Fourth, the examples of normative planning theory, perestroika and the economics of transition are discussed in more detail. An outline for future studies concludes the paper. Overall, the discussion is preliminary. It does not attempt a global picture of the evolution of Soviet economists, as the present author has already provided many of the building blocks in earlier publications (especially in Sutela 1984, 1987, 1991, 1992). As the paper by Vladimir Mau (1995) for this conference concentrates on reform economics in Soviet political economy of socialism, this important and interesting part of the field will be largely neglected here.

---

<sup>1</sup> A paper presented at the Berlin conference on socialist reform economics, 6-8 October 1995.

# 1 Socialism, reform and economics: general considerations

As the present author has argued in earlier publications (Sutela 1984, 1987, 1991, 1992), Soviet economics of socialism were ever since the 1930's faced with a dual task. On one hand, the discipline was defined by the authorities as an integral part of the general Marxist-Leninist doctrine. This, naturally, endowed economics with the greatest official importance, as Marxists traditionally and Soviet Marxist-Leninists in particular gave pride to basing their policies on alleged objectively existing societal laws found and elaborated upon by scholars -- under the closest censorship, supervision and guidance by the relevant party-state authorities, of course.

This scientist attitude of the Marxist-Leninists sets them in a class of their own among modern political movements. It contrasts, for example, with the nonchalant attitude expressed by Il Duce, a (possibly former) socialist himself. For Benito Mussolini Fascism was a method for conquering power, not an ideology. Though sometimes tempted by doctrinal projects, generally he felt nothing but contempt for those Fascists who cared for ideological consistency (see, for example, Mack Smith 1981).

Though the contrast with Fascism is stark, the scientism of the Bolsheviks should in no way be absolutised. For at least the more successful among the Marxist-Leninists, similarly to Mussolini, power was the highest of priorities. Much more than *vica versa*, the needs of power basically guided the conduct of ideology as well. Following the twists of *Realpolitik*, yesterday's heresies could and indeed did overnight become today's orthodoxy. But having said that, one must hurry and add that the relation between power, ideology and economics was never as simple as to allow setting total equality between the latter two and subordinating the ensuing doctrine directly and completely to the needs of power. This is so for several reasons.

First, there was the issue of the practical value of economics. Even Soviet economics was never exclusively about ideology. There was a recurrent if not a persistent call for scholarly usefulness all the way from the 1930's until the times of *perestroika*. Thus, economics had both an ideological and a practical task. Quite naturally, the former task dominated. Not only was there a sphere of high, ideologically loaded political economy -- both of socialism and of capitalism -- living its almost separate life as a quasi-intellectual **Glassperlenspiel**, but without any clear rules of the game. In this respect, comparisons with belief-systems and quasi-theologies are well in place. But even more importantly, all the eventual practical proposals of the economists had to be such that they either remained or at least they could be seen as remaining within the boundaries of permissibility, that which was confined into the currently official definition of socialism and its developmental laws. Only seldom could scholars aim at changing those definitions, and usually even then only in a marginal way. Defining socialism, enumerating its laws and -- at least as far as matters of any perceived current importance were concerned -- even interpreting them were and remained the prerogative of the political(ly motivated) authorities. Doctrinal consistency was here unnecessary. Given the sharp turns of perceived political considerations, logic was not only boring but it could be highly misleading.

On the other hand, one also has to take note of a phenomenon which is interesting as such though not of any great importance. There was a highly ideologically laden project for an official textbook of Marxist-Leninist political economy, which spanned from 1936 until 1954, when the fruit of the project was finally published

(Sutela 1984, 61-67, 70-75). Careers were created and lives ruined around the project. Still, the published textbook reigned unchallenged only for a few years. Competing textbooks were published, and the attempts to recreate an ideological monolith even at the textbook level failed in the 1970's. The differences between ensuing alternative truths as exposed by different official institutes were not major, but they did have some at least marginally interesting implications.

In this perspective there is nothing surprising about the fact that being an economist member of the Soviet Politbureau was one of the more dangerous positions available, as the cases of Sokolnikov, Bukharin and Voznesensky highlight.

Most economists naturally did not risk execution most of the time. Dangers were of a smaller scale, but hardly any better foreseeable. Within and around the economics profession, a set of ideological priests gathered, searching for different possibilities to further the always interconnected goals of communism and personal advancement. In a changing and unpredictable environment, keeping the canons of doctrinal purity was not an easy job, but the supply of gatekeepers, if not their quality, was usually quite sufficient. As Albert Vainshtein, an economist of the 1920's who survived the purges, commented in 1965, much of political economy had actually not been descriptive but outright destructive (Ekonomisty 1965).

The main exception to the logic just outlined, naturally, was perestroika which consciously aimed just at profoundly changing the definition of socialism (Yakovlev 1994). Perestroika did produce the one economist politbureau member who survived<sup>2</sup> -- Vadim Medvedev -- but it also produced the final collapse of socialism. In this historical instance at least, socialism proved unreformable. In principle, this does not preclude the reformability of socialism as such. As long as Chinese future remains unclear, the jury will stay out.

Perestroika is of exceptional importance for this -- as for so many other studies -- because it was the final showdown for the Russian Marxist scientist pretensions mentioned above. As Aleksandr Yakovlev, the main ideologist of perestroika, recently wrote about the late 1980's:

*'... an illusion was created that what needs to be done is to gather as full and reliable information as possible, analyse it strictly scientifically and (then) act in a corresponding way -- in that case everything will go in the necessary direction, an honest and reasonable policy will be formed. This is an illusion which I also shared.'* (Yakovlev 1994, p. 205)

This illusion -- lets call it the Objectivity Illusion -- will be central to our study also. It amounts to complete neglect of the essential questions of power and knowledge. As such, the Objectivity Illusion is a highly peculiar mistake for people who should have been well immersed in Classical and Marxist theories of class and power. This illusion helps to understand the prominence of such empirical social scientists as Abel Aganbegyan and Tatyana Zaslavskaya during the early years of perestroika. They were, after all, among the very few who had done at least some studies of 'the society in which we live and work'. But at the same time another illusion possibly in some sense of less size but certainly of special interest to us is revealed. What foundations could there possibly be for believing that Soviet social scientists, given the history and

---

<sup>2</sup> This neglects Andrei Gromyko, who did have a doctorate in economics but was never actually an economist.

current state of their disciplines, were in a position to formulate a necessary programme of reform -- even bypassing the issues of implementality or the reformability of socialism as such hinted at above? Economic perestroika was based on the best advice that Soviet economics could offer. The failure of policy is also a failure of doctrine.

In spite of these and other caveats, there is no reason to neglect the practical demands set upon economics. Indeed, as a detailed analysis of the history of Soviet economics shows, calls for a practically useful economic science were recurrent. They started already in the 1930's, blossomed in the 1950's and continued until the collapse of socialism. What changed was not only the cognitive level of economists but also -- and probably more importantly -- the definition of what was officially acceptable as a proposal for improving socialism.

Navigating the Scyllas and Kharybdises of practically useful and politically acceptable was never easy. Therefore, most of the intellectually low-to-medium-brow economists accepted a totally subordinated position for themselves. Abandoning any questions of seeming immediate or even looser political relevance, they confined themselves to such humble matters that could be deemed devoid of danger. Most economists accept some such position for themselves in any society, defining implicitly or explicitly themselves as technocrats, social engineers or economic dentists. Still, the situation in the USSR was different from the one probably prevailing in -- let us say, at the risk of exposing one's complete ignorance -- Nazi Germany. Because of weak and broken intellectual traditions, adverse selection into higher education in the social sciences and the capricious character of the political involvement, the general standards of concrete economic research in the USSR were -- to the degree that it is possible to judge afterwards -- exceptionally low.

The matter was further complicated by the general uselessness of available information. Partially, it was a question of censorship, but the general random number character of most economic quantities under socialism is in a sense a more profound problem. Detached from any real theoretical framings, facing the lack of meaningful statistics, and in most cases anyway unable to analyse in any intelligible way what data might be available, Soviet concrete economic research was usually not only boring but also quite valueless. Pity the proverbial and in the USSR officially much feared CIA analyst who was reading piles of Soviet publications to find the famous gold nugget -- knowledge of what was actually going on in the enemy economy.

Looking at the matter from the angle of theoretical economics, the situation was little better. The standard inference that Soviet science was best at what only requires a pencil, some paper and possibly a blackboard is true enough for mathematical economics as well. This has been documented by Ellman (1973), Zauberman (1976), Sutela (1984) and others. But even pure theory suffers in a vacuum. It needs contacts with world science, and there were very few Soviet economists indeed who were publishable in Western professional press. During the most recent decades, Polterovich was about the only successful one. Contemporary theoretical economics also, in many cases, needs advanced computers, and by the 1980's the scope of using only pencil and paper was fast diminishing. But most importantly, theoretical research also needs a living contact with facts. There is really no other way to distinguish intellectual pastimes from in some deeper sense more fruitful approaches than to be able to ask the guillotine question: "Nice, but so what?" More often than not, the answer can only be in terms of empirics.

Anyone who has had to convince a 1980's Soviet economist that trying to estimate what are intended to be models of specifically Soviet enterprise behaviour with Finnish company data is able to appreciate some of the complications involved in the dilemmas just described. Empirical and concrete does however not only refer to statistics and other such data. This is also and more importantly a question of social structures and processes, as will be discussed below in more detail.

While most empirical economics was made by low-to-mid brow economists, meaningful theoretical economics -- excluding quasi-theologies -- is necessarily a high-brow preoccupation. In such scholarship, like in literature, silence can sometimes be very loud indeed. Making a crucial social process exogenous, as the optimal planners often did, might also work as a way of pinpointing its importance. This is a point we shall come back to later on.

## 2 A typology of socialist reform economics

### 2.1 Introduction

This typology has been first outlined in Sutela (1990) and presented in a more finalised form in Sutela (1992). The variant proposed here however differs from the earlier ones. The original purpose was to present a sequence of socialist reform measures in a way which combines history with a logical stepwise process. Logically -- as pointed out by Leszek Balcerowicz (1992) -- socialist reforms proceeded by relaxing one by one the crucial assumptions defining socialism -- until at the end nothing was left of socialism, and transition followed reforms. Historically, a similar stepwise process is clearly in evidence. This process is not consecutive: elements of different logical steps often coexisted, as allowing less stringent definitions of socialism did not necessarily kill or even make irrelevant all proposals logically belonging to the previous logical step(s). The logical sequence is not necessarily the only one possible. But it is the one empirically in evidence, and indeed it is logical.

### 2.2 The Pre-stage of economic reform

The starting point is the Kautsky-Lenin image of socialism as a single hierarchical factory (Sutela, 1984; Mau, 1993), a nineteenth-century deterministic mechanism functioning as clockwork -- or to use, as is proper in Berlin, the image also belonging to nineteenth-century socialism, as 'the German army under von Moltke' -- to reach the goals predetermined by society or, more realistically, its ruling elite. With important exceptions, most reform economists would argue that exactly this image of the future society was the one implicitly or explicitly followed in the practical 'construction of socialism'. For various reasons the normative model could only be very roughly approximated in practice. There was always much to be improved. This constitutes the historical and logical Pre-stage of economic reform. By personnel changes and purges, by organisation changes, by the implementation of shifts in investment allocation as well as by the reformulation of centralised pricing rules and also incentive schemes, the Pre-stage tries to make the existent allocation mechanism conform more closely to the Kautsky-Lenin image. If you wish, you could also characterise these endeavours as attempts to make really existing bureaucracy conform more closely to the Weberian ideal model of bureaucracy.

This phase of economic reform, an endeavour to rationalise and make feasible the single factory model, was entered into immediately after the institution of the centrally managed system. In the Soviet case, already the economic literature of the 1930's is surprisingly rich in proposals towards this goal (Sutela, 1987). Many of the proposed incentives, for instance, were repropounded over and over again through the coming decades. The need to make prices and physical planning conformant was also already understood in the 1930's. Indeed until the 1960's some of veterans of the discussions of the early period -- people like Shamai Turetsky and Aleksandr Birman -- were among the prominent reformers.

This naturally does not imply that there was no progress within proposals that still logically belong to the Pre-phase. There was a ripening of the Soviet economic system, there was accumulation of experience and learning among the economists,

there was the experience of other centrally managed economies, there was a softening of the political atmosphere, and there was technological progress. All of this mattered.

To take just one example. Leonid Kantorovich, a young Leningrad mathematics professor, was early convinced of the need to make mathematics useful in practice. Therefore, he was eager to accept the famous veneer trust task, and having solved it, even more eager to generalise his approach to economic planning at the national economic level (Sutela, 1991, pp. 29-34). The 1939 veneer trust case hardly attracted the attention of economic planners in general, but the 1942 generalisation was a different matter altogether. National economic planning, Kantorovich argued, should be seen as optimisation under constraints, the attainment -- as Kantorovich formulated it -- of maximum production subject to various resource availabilities, technologies and a pre-determined product mix.

Kantorovich's approach was in the Kautsky-Lenin tradition in several respects. It was firmly within the single factory tradition, literally a generalisation of the veneer trust case onto the national economic level. There was naturally nothing about property rights, markets, competition or macroeconomics in general. Reflecting Soviet realities, determining the product mix was exogenous, within the competence of the planners, while the maximising approach was well in line with the current ethos. And what is most important, Kantorovich was proposing social engineering written large. As academician V.L. Makarov, a pupil and collaborator of Kantorovich, was to write decades later, the mathematician's approach was based on

*'the possibility, immanent to socialism, of constructing the economic system. Because socialism, in distinction from earlier formations, has an author -- Marxist-Leninist doctrine -- the economic system too must be constructed consciously, proceeding from the theoretical conception of this doctrine' (Makarov, 1985).*

Kantorovich's was thus an extremely narrow technocratic sub-optimisation approach. By consciously neglecting all social and political issues it made the economist a humble servant of the Stalinist state. Still, when Kantorovich submitted for approval the manuscript finished in late 1942 in beleaguered Leningrad, the reaction of Soviet economists was reportedly in the main negative. Not only were the computers needed for solving Kantorovich's formulation unavailable, the socialist economy was supposed to be about enlarging the constraints, not about optimally adopting to them. One professor of statistics is even told to have scolded Kantorovich for

*'speaking about the optimum, while Pareto also spoke about the optimum and Pareto was a fascist' (cited in Belykh, 1989).*

Because the rationalising proposals of the Pre-stage of economic reform could be seen as attempts to narrow down the prerogatives of the politicians and planners to make irrational decisions, the tolerance of such discussions varied over time. In 1938 Molotov is told to have banned any discussion by economists on prices because that was not their concern (Sutela 1991, p. 13). One of the reasons for the demise of Nikolai Voznesensky in 1948 must have been his long-nurtured technocratic approach to planning. Voznesensky defined the political economy of socialism as a study of 'the laws of planning and organising production' (Voznesensky, 1948). Justly famous debates on pricing and investment criteria were waged in the late 1940's, until the

efficiency approach in economics was condemned in the person of one Yaroshenko by Stalin in his economic magnum opus, a brochure of assorted comments on various economists' opinions (Stalin, 1952).

The simple problem with arbitrariness in the economy is that it becomes all too expensive in terms of production, efficiency and welfare. A consensus on this was soon found by the post-Stalin Soviet leaders. As one Central Committee Secretary put it in 1963, 'practical results are the decisive criterion for the value of science' (Ilichev, 1963, p. 21). Reformist economists were fast in offering their commodity, since the late 1950's based on three interconnected main pillars. One of them was Kantorovich's book, finally published in 1959 and also available in English (Kantorovich, 1965). Another pillar was the work of V.V. Novozhilov (1970, 1972) and the third one that of V.S. Nemchinov (1965). Kantorovich provided the underlying mathematical approach, Novozhilov -- among other things -- much of its economic interpretation in a way acceptable to Marxists, while Nemchinov combined many properties, among them political and organisational acumen with a good economic intuition.

The optimal planning approach, as this current became known, was never homogenous. Especially in the 1950's but until the 1960's its main proponents tended to emphasise the social engineering character of the approach. Nemchinov and Novozhilov soon evolved into proponents of limited market mechanisms or Phase II of economic reforms, while Kantorovich's mature approach can perhaps be best characterised as a prominent example of Phase I of economic reform. Many others saw in mathematical planning methods and computing just a tool for maintaining existing institutional relations. Input-output was supposed to create consistency in plans; growth economics would substantiate longer-range planning than had been actually possible before; enterprise models would assist in developing incentives; regional models would provide the basis for spatial planning; and efficient computers would overcome the informational overburden of traditional data channels. In the Russian context, the failures of such 'computopias' have been discussed by Cave (1980), Conyngham (1982), Ellman (1973), Zauberman (1976), Sutela (1984) and others. In the comparative perspective, it is interesting to note that Oskar Lange seems in the 1960's to have come to thinking that computers could indeed outperform markets, rivalry, entrepreneurship and private property rights in solving the allocation problem (Lange, 1972).

In Russia, the political economy conclusions drawn from modern economic methods diverged hugely. Some of the reformist interpretations will be discussed below. About the conservatives, it is sufficient to mention here that there indeed were political economists who regarded mathematical planning as a means for returning to Stalinist planning (Moiseenko and Popov, 1975).

Before that, another important example of development within the Pre-stage of economic reform should be pointed out. Because of dimension, the single factory of the Kautsky-Lenin image of future society simply must be partitioned into plants. The traditional and prevalent way of doing that was by branches, a solution that led to various such well-known problems as deficient coordination across branch ministries, attempts at self-sufficiency and excessive transportation. Khrushchev's infamous experiment with **sovnarkhozes** provided a remedy that was probably worse than the original illness, and it does not seem to have been proposed by economists. The Brezhnev regime duly reinstated branch management.

In the 1970's both economists associated with the Novosibirsk Institute of Industrial Economics (Aganbegyan - Bagrinovsky - Granberg, 1972) and Moscow mathematical economists (Danilov-Danilyan - Zavel'sky, 1975) proposed planning algorithms that tried to combine branch and regional aspects of planning. In the Moscow variant, for example, another important departure was the absence of a global objective function to be maximised. The optimum was to be defined through an iterative process between the centre of regional population groups -- a proposal reflecting Vasili Nemchinov's earlier ideas for a **khozraschet**-economy and with obvious political implications.

Such proposals were found to be both technically impossible and especially politically impalatable (Sutela 1984, pp. 127-132). Another approach was however developing at the same time, and by mid-1970's different variants of what was called goal-oriented planning were proposed by all the leading research centres. The idea was simple: to identify central social needs or goals and to structure planning around attempts at meeting them. Originally an approach much used in military and strategic planning (nuclear programme, space programme etc), this approach had two important implications when applied to national economic planning more generally. It abolished the primacy of branch ministries, sometimes even calling for their abolishing (Sukhotin, 1983). Therefore it was often called the inter-branch approach to planning. Secondly, goal-oriented planning was also aimed at destroying the traditionally prevalent resource-based 'planning from the achieved level'.

But there was an even more far-reaching implication. Assuming that the central goal of the society are limited in number so that programmes only encompass the real priorities, assuming further that planning is somehow organised around the programmes, how are all the non-priority activities to be handled. In 1970, proceeding from the somewhat different perspective of Vasili Nemchinov's proposals for a **khozraschet** -economy, Nikolai Petrakov had already argued for dual-track planning where most activities would be based on regulated markets. Thereafter, scholars had to tread carefully in their published opinions. It was perhaps only in 1989 that the implicit conclusion so obviously present in goal-oriented planning was published: leave all the non-priority activities to the market (Bim, 1989). This was already a proposal for the late perestroika years, but here as in many other aspects of perestroika the proposal given was anchored in the best scholarship of the 1970's.

The example of partitioning the planning problem is interesting for another reason as well. As such, partitioning clearly seems to belong to the Pre-stage of economic reform. Still, proposals on it may easily have relatively far-reaching consequences.

### 2.3 Phase I of economic reform

Economic reforms proper begin where one of the defining features of traditional planning is challenged. The one chosen here for the point of departure are factory-specific compulsory plan targets. As long as discussion on 'petty tutelage' of plants by ministries only concerned the instability, contradictory character and excessive numbers of plan indicators, debate remained within the Pre-stage of reform. But when the idea of factory-specific targets itself was challenged, discussion had reached Phase I of economic reform.

In the USSR, economists had proceeded so far by the early 1960's. Kantorovich's optimal planning seemed to have proved the possibility of indirect centralisation. Direct, traditional centralisation was based on hierarchically determined compulsory enterprise-specific targets. In an optimal plan, shadow prices can be used to decentralise the planning task in the sense that once they have been derived with the constrained optimum, shadow prices can be used as parameters, guiding profit-oriented plants to activities consistent with the objective function and constraints of the planning task. This is still centralised planning as the shadow prices are derived from a -- possibly unified -- central plan. But enterprise behaviour is not commanded from above, it is guided by parameters. In a perfect setting, plants have no reason to act against the wishes of the centre. Given the economic environment formed by the parameters, factories are free to find out all by themselves what the centre wants them to do. That is also in the plants' best own interest. Incentive problems have been solved.

This idea was the main inspiration of Soviet reform economics from early 1960's all the way until perestroika. It was formulated by Kantorovich, specified by Novozhilov and widely disseminated by Nemchinov. In various forms, it was propagated by a generation of Soviet reform economists. The views of Vasili Nemchinov, in particular, are of special interest. His last article was published in 1964. Almost twenty-five years later Mikhail Gorbachev singled this article out as the theoretical inspiration of perestroika (Sutela 1991, p. 62). We should therefore ask what Nemchinov's **khozraschet** -economy actually implied.

For all the scholarly, pedagogical and political skills of Nemchinov, interpreting his writings is not easy. But an attempt has been made (Sutela 1991, pp. 62-67). First the things that Nemchinov did not propose. He did not argue against the monopoly of state ownership; he argued for strengthening the role of planning; he opposed 'free markets and market competition'; and he never dwelled on the internal organisation of factories or the status of hierarchically higher institutions.

Nemchinov argued for central planning with limited independence for enterprises. The number of obligatory plan targets was to be dramatically reduced; parameters guiding enterprise behaviour had to be stable; most production would in addition to few obligatory targets and stable parameters be based on central orders allocated in a competitive process; factories would further decide on their activities through horizontal contracts; means of production would be allocated by wholesale trade; and plants would be free to sell any production in excess of plan orders, though in most cases for prices centrally set.

This is probably the first proposal for a dual-track planning system. Still Nemchinov was careful to emphasise that the contract system did not amount to markets. Contracts would be strictly monitored and in most cases based on centralised pricing. This is basically still a Phase I view.

The dual-track planning view was further developed by Nikolai Petrakov a few years later (Petrakov 1970,1971). His view was that most production should be based on market demand. Only the most important goods should be subject to explicit planning. Even market-determined production would be subject to central regulation through resource payments, taxation and finance. Some resources would remain centrally allocated, and at least some prices would also be centrally fixed. In general Petrakov was however somewhat unclear about the relation between market determined and centrally derived prices. His recommendations on these matters also varied

varied with political cycles. This did not prevent him from being among the economists most fiercely criticised for market socialism (Sutela 1984, 1991).

Clearly inspired by the optimal planners, such leading young reformist political economists as Leonid Abalkin (e.g. 1973) and Vadim Medvedev (e.g. 1966) developed views on 'planned socialist markets' or 'commodity-money relations'. The crucial -- there are others as well -- difference between socialist and capitalist markets was simple. In socialism prices and other values are planned. Therefore, this is a case of indirect centralisation, not of an economy with actual markets.

The learned habit of using market economy -related Marxist terms like the law of value in discussion muddled much Soviet debate. In general terms, as Mau (1995) points out, theoretically the 'antitovarniki' were right against the 'tovarniki'. Actual markets cannot be planned, and exchange with exogenous prices does not amount to markets. Abalkin (1970) gave a clear discussion of the issues involved. In the USSR, he argued, monopoly of state ownership axiomatically existed. This necessarily implies centralised planning. As the state combines both political and economic power it is necessarily the one and only centre of authority in the country. Such power cannot be shared with markets or any other possible centre of power. Later Abalkin came to write much about the specifics of 'socialist markets'. The real specific feature naturally was that they were no markets.

As a description, Abalkin's theory was quite accurate.

Among the optimal planners, Stanislav Shatalin shared fundamentally the same approach. In a series of articles and books from the 1960's until the 1980's -- discussed in Sutela (1984, pp. 176-184) -- he among other things put forward three propositions. First, markets cannot be planned (e.g. Shatalin, 1982). Second, the more there is planning, the less role have markets to play (Grebennikov - Pchelintsev - Shatalin, 1975). Third, the idea of markets implementing either plans or optimality in general is 'simply mystical' (Shatalin, 1982).

If one believes in the possibility of an optimal plan, Shatalin's approach is surely the logically correct one. But actually, there are many well-known and often discussed reasons why the idea of perfect indirect centralisation is a utopian one. This is surely one of the reasons why Soviet reform debates kept sliding between Phase I and Phase II of economic reform.

## 2.4 Phase II of economic reform

As defined here, Phase II of economic reforms and reform economics starts when actual markets are proposed. It is naturally difficult to think that anyone can have truly believed in the possibility of having all the prices determined centrally, even less by an optimal plan. But as we know, such ambitions very much existed. And they were not only limited to those economists whom we would regard as conservatives. On the contrary even Novozhilov argued in 1963 (Novozhilov 1963, p. 52) that literally all prices and other parameters relevant to indirect centralisation should indeed be derived from the centrally determined optimal plan. In this sense, all economic questions -- without a single area remaining outside of state management -- would be handled jointly by the centre and the enterprises. But at least with a few years experience of trying to draft optimal plans in practice, surely even any centralist economist worth something must always have conceded deep in her/his heart that some prices simply have to be market-determined until the day full communism comes. But if

such markets would be of very minor importance indeed and especially if other possible attributes of real markets -- concerning entry and exit, for instance -- did not obtain, such concessions would not amount to Phase II economic reformism or market socialism. Something more relevant had to be at play, though the minimal requirements are difficult to define in any precise way especially in an environment heavily influenced by censorship and political taboos.

In high theory, the most prominent candidate for being the leading Soviet proponent of markets in the 1960's -- and he is still active -- was Viktor Volkonsky. Basing his views on the equivalence between an optimal plan and an economic game he argued in a 1967 book that

*'the greatest achievement of world economic science is the strict proof of the ... possibility of setting up a system of optimal decentralised management founded upon commodity-money or khozraschet -relations' (Volkonsky 1967a, p. 10).*

To be strict, Volkonsky is not explicit on whether he had real markets or perhaps a kind of bargaining process in mind. What is certain is that he was not referring to indirect centralisation, and he was all through the coming decades criticised as a market socialist. Still, he also warned about the cyclical problems of markets and was explicitly unwilling to leave large investment decisions to be made by markets, due to the inconvexities involved.

Volkonsky is a mathematical economist. His comments on the social framework were however among the most prominent in Soviet discussions. First, there was the issue of functioning markets, exit, unemployment and its social and political consequences. Aleksandr Birman, a veteran political economist and prominent reformist had argued that chronically loss-making plants should be closed. In a masterpiece of writing under censorship, Volkonsky very visibly chose not to comment:

*'Of even more importance (than material incentives -- PS) is the question raised by Prof. A.M. Birman on the unavoidability of the consequences of bad economising under the market system. The practice of economic management both in this country and abroad gives much material for analysing this problem, which is one of the key issues in the political economy and socialism and is also connected with socio-economic questions. Discussing it, though, is not one of the tasks of this article' (Volkonsky 1967b, p. 493).*

From another extreme of the economics profession, the journalist Gennady Lisichkin came in 1966 out as a proponent of market socialism (Lisichkin 1966). He insisted upon the difference between genuine markets and the use of commodity-money relations in indirect centralisation. For him the NEP of the 1920's was the model of the market alternative, as such 'the uniquely correct system of economic relations, until such time as full communism is built'. His journalistic analysis was however limited by the fact that he only understood markets as 'a complicated structure of conditions under which the disposal /realizatsiya/ of social product takes place' (Lisichkin 1966, p. 13, 56).

One should also point out that naturally Soviet economists were following developments in the other socialist countries, particularly in Hungary, whose reform can be seen as implemented Phase II reform economics. Possibly the most outspoken

proponent of the Hungarian model was the Novosibirsk economist Raimundas Karagedov. Even in the very conservative year of 1974 he was able to write that the Hungarian model had 'proved its viability and can be regarded as a model of planned management of socialist production with a future'. Furthermore its importance 'stretched beyond the borders of the country in question' (Karagedov 1974).

To conclude the discussion on markets in Soviet economics of the 1960's, the contribution of Nikolai Petrakov should be noted. Though a prominent young member of the optimal planning approach, Petrakov was never a mathematical economist. Indeed, heavily influenced by Novozhilov, he sometimes criticised his fellow optimal planners for excessive formal technocracy. His approach to understanding the role of markets was a different one.

Petrakov's 1970 **Novyi mir** article was probably the first case of a Soviet economist explicitly abandoning the Kautsky-Lenin image of socialism as a single factory. A social objective function does not exist. Instead, there must be a 'mechanism for defining, specifying and correcting' social goals. In particular, planning is too important to be left for planners only: they also have their specific interests.

Markets, Petrakov argued in an Austrian vein, are not only mechanisms for transmitting existing information. Of more importance is the generation of new information. Both this and the articulation of interests demand the existence of pluralism in society. Petrakov actually used the term in print. Social decisions should essentially be informal compromises which take into account the diversity of existing interests. This is no social engineering. Petrakov called quite openly for a pluralistic political process, and combined pluralism, markets and the generation of information in a way that was new in the USSR.

Petrakov's criticism of centralised planning is particularly interesting in his discussion of equilibrium prices. Scarcity, he simply pointed out, has to be rationed, either by prices or through planning. The former method, he stated, is the democratic one. Rationing, in addition to having various efficiency and equity deficiencies, is also the undemocratic method of allocation. It subjects consumers under the planners' discretion.

Altogether, Petrakov's (1970) is a quite Austrian argument for markets and market pricing. His criticism of technocratic optimal planning was clearly influenced by Janos Kornai. Overall, by crossing the prevalent Soviet abyss between economic and political radicalism Petrakov broke important new ground in the USSR. Consequently he was heavily criticised, and later he had to argue for equilibrium prices derived from plans. To make matters worse, he and other optimal planners also argued for the stability of normatives like prices over periods of five years. In truth, his proposals for dual-track planning do contain severe other unresolved problems as well (Sutela 1991, p. 85). But most importantly, Petrakov's democratic arguments for markets preceded those by Popov, Shmelyov and Abalkin by almost twenty years. In the late 1980's, the idea finally became widely accepted.

After the radicalism of the 1960's, a conservative period followed. Until the late 1980's, discussion was either in terms of commodity-money relations or in terms of socialist markets. An idea of markets regulated so deeply that they are actually planned was the underlying conclusion. In debate and legislation this led to various anomalies. First, the often expressed view that socialist markets could somehow utilize only the assumed 'positive' features of real markets, leaving the assumedly 'negative' features to capitalism, was naturally utterly naive and reflected a highly technical view of markets. Only very late did for instance Abalkin (1989) argue that

markets are markets are markets. But even then he added that given a socialist environment, markets do not produce unemployment or exploitation. Commodity arbitrage, the key to efficiency through the law of one price, remained illegalised in Soviet legislation. Therefore the USSR failed one crucial test on whether real markets are officially allowed.

The second anomaly concerned the position of market producers. The 1987 Law on Socialist Enterprise was remarkable for several reasons. Following 1986 proposals (**Reforma**, 1987) put together by such leading reformist economists as Aganbegyan, Abalkin, Bunich, Petrakov, Popov and Shatalin (Sutela 1991, pp. 151-154), the law was based on the ideas of the 1970's on dual-track planning, stable normatives, increased enterprise autonomy and labour self-management, of which more below. But the law also still argued that enterprises are both market producers and hierarchically subordinated administrative units. That among other things implied that another test for the reality of markets was also not passed: most pricing would remain centralised.

Afterwards, reform economists would emphasise how the 1987 Law was the result of compromises, often finalised by conservative bureaucrats totally ignorant of economics (Aganbegyan 1989). That is true, but it is equally true that centralised pricing and stable normatives were a part of the 1986 concept proposed by economists. Actually, at the time they even did not use the word markets. All talk was about commodity-money relations and of indirect centralisation.

This is the background against which a small article by Larisa Piyasheva (Popkova 1987) and a larger piece by Nikolai Shmelyov (1987) attracted such an attention. Piyasheva, in particular, argued that any attempts to combine socialism and markets are destined to fail. Shmelyov, among other things, declared readiness to accept unemployment as a price to be paid for markets.

In 1987 Otto Latsis, a leading reformist, could still counter Piyasheva by telling that optimal planning theory had shown that indirect centralisation is both possible and desirable (Latsis 1987).

## Bibliography

Abalkin, L.A. (1970) **Politicheskaya ekonomika i ekonomicheskaya politika.** Moskva.

Abalkin, L.A. (1973) **Khozyaistvennyi mekhanizm razvitogo sotsializma.** Moskva.

Abalkin, L. (1989) **Strategiya obnovleniya.** Ogonyok 1989:13.

Aganbegyan, A.G. (1989) **Reshitelnee vesti perestroiku ekonomicheskoi nauki i praktiki.** Ekonomika i matematicheskie metody 1989:2.

Aganbegyan, A.G. - Bagrinovsky, K.A. - Granberg, A.G. (1972) **Sistema modelei narodnokhozyaistvennogo planirovaniya.** Moskva.

Balcerowicz, Leszek (1992) **The 'socialist calculation debate' and reform discussions in socialist countries.** in János Mátyás Kovács and Márton Tardos, eds.: Reform and Transformation in Eastern Europe, London.

Belykh, Andrei (1989) **Mathematical economics and Soviet planning.** Carleton economic papers 89-03, 1989.

Bim, A. (1989) **Gosudarstvennyi plan: novye zadachi, novaya model.** Kommunist 1989:11.

Cave, Martin (1980) **Computers and economic Planning.** Cambridge.

Conyngham, William (1982) **The Modernization of Soviet Industrial Management.** Cambridge.

Danilov-Danilyan, V.I. - Zavel'sky, M.G. (1975) **Sistema optimalnogo perspektivnogo planirovaniya narodnogo khozyaistva.** Moskva.

**Ekonomisty i matematiki za kruglym stolom.** (1965) Moskva.

Ellman, Michael (1973) **Planning Problems in the USSR.** Cambridge.

Grebennikov, V.G. - Pchelintsev, O.S. - Shatalin, S.S. (1975) **Tsennostnye otnosheniya v sisteme optimalnogo funktsionirovaniya sotsialisticheskoi ekonomiki.** Ekonomika i matematicheskie metody 1975:1.

Ilichev, V.F. (1963) **Obshchestvennye nauki i kommunizm.** Moskva.

Karagedov, R.G. (1974) **Sovershenstvovanie sistemy ekonomicheskogo upravleniya v Vengerskoi Narodnoi Respublike,** Izvestiya Sibirskoi otdelenii Akademii Nauk SSSR, Seriya obshchestvennykh nauk 1974:6:2.

- Lange, Oskar (1972) **Computer and the market.** in Alec Nove and Mario Nuti, eds.: Economics of Socialism, Harmondsworth.
- Lisichkin, G.S. (1966) **Plan i rynok.** Moskva.
- Mack Smith, Denis (1981) **Mussolini.** London.
- Makarov, V.L. (1987) **Glubokii issledovatel.** EKO 1987:1.
- Mau, Vladimir (1995) '...', paper at the Berlin conference.
- Medvedev, V.A. (1966) **Zakon stoimosti i materialnye stimuly sotsialisticheskogo proizvodstva.** Moskva.
- Moiseenko, N. - Popov, M. (1975) **Demokraticheskii tsentralizm -- osnovnoi printsip upravleniya sotsialisticheskoi ekonomikoi.** Leningrad.
- Nemchinov, V.S. (1965) **O dalneyshem sovershenstvovanii planirovaniya i upravleniya narodnym khozyaistvom.** 2-e izd., Moskva.
- Novozhilov, V.V. (1963) **K diskussii o printsipakh planovogo tsenoobrazovaniya.** in *Primenenie matematiki v ekonomii*, Vyp. 1, Leningrad.
- Novozhilov, V.V. (1970) **Voprosy razvitiya sotsialisticheskoy ekonomiki.** Moskva.
- Novozhilov, V.V. (1972) **Problemy izmereniya zatrat i rezultatov pri optimalnom planirovanii.** Moskva.
- Petrakov, N.Ya. (1970) **Upravlenie ekonomiki i ekonomicheskie interesy.** Novyi mir 1970:8.
- Petrakov, N.Ya. (1971) **Nekotorye voprosy upravleniya sotsialisticheskoi ekonomikoi.** Moskva.
- Popkova, L. (1987) **Gde pyshnee pirogi?** Novyi mir 1987:5.
- Reforma upravleniya ekonomikoi, problemy i poisk.** (1987) Moskva.
- Shatalin, S.S. (1982) **Funktsionirovanie ekonomiki razvitogo sotsializma.** Moskva.
- Shmelyov, Nikolai (1987) **Avansy i dolgi.** Novyi mir 1987:6.
- Stalin, J.V. (1952) **Ekonomicheskie problemy sotsializma v SSSR.** Moskva.
- Sukhotin, Yu. (1983) **O motivatsionnom aspekte khozyaistvennogo planirovaniya.** *Ekonomika i matematicheskie metody* 1983:2.
- Sutela, Pekka (1984) **Socialism, Planning and Optimality.** Helsinki.

Sutela, Pekka (1987) **Economic Incentives in Soviet Pre-War Economic Thought.** in S. Hedlund, ed.: Incentives and Economic Systems, London & Sydney.

Sutela, Pekka (1991) **Economics and Economic Reform in the Soviet Union.** Cambridge.

Sutela, Pekka (1992) **Rationalizing the centrally managed economy: the market.** in A. Åslund, ed.: Market Socialism or the Restoration of Capitalism, Cambridge.

Volkonsky, V.A. (1967) **Model optimalnogo planirovaniya i vzaimosvyazi ekonomicheskikh pokazatelei.** Moskva 1967a.

Volkonsky, V.A. (1967) **Tovarno-denezhnyi mekhanizm v optimalnom upravlenii khozyaistvom i tsenoobrazovanie.** Ekonomika i matematicheskie metody 1967:4.

Voznesensky, N. (1948) **Voennaya ekonomika SSR v period velikoi otechestvennoi voiny.** (no place indicated).

Yakovlev, A. Ya. (1994) **Gorkaya chasha.** Yaroslavl.

Zauberman, Alfred (1976) **Mathematical Theory in Soviet Planning.** London.

# REVIEW OF ECONOMIES IN TRANSITION

from number 4 ISSN 1235-7405

- 1/92 Pekka Sutela: **Neuvostoliiton hajoamisen taloudelliset aspektit.** 24 s.  
Jouko Rautava: **Suomen ja Venäjän taloussuhteet Suomen EY-jäsenyyden valossa.** 12 s.
- 2/92 Seija Lainela - Jouko Rautava **Neuvostoliiton talouskehitys vuonna 1991.** 15 s.  
Seija Lainela **Viron taloudellisen kehityksen lähtökohdat.** 9 s.  
Merja Tekoniemi **Yksityistäminen itäisen Euroopan maissa ja Baltiassa.** 7 s.
- 3/92 Kamil Janáček **Transformation of Czechoslovakia's Economy: Results, Prospects, Open Issues.** 20 p.  
Sergey Alexashenko **General Remarks on the Speed of Transformation in the Socialist Countries.** 25 p.  
Sergey Alexashenko **The Free Exchange Rate in Russia: Policy, Dynamics, and Projections for the Future.** 19 p.  
Jouko Rautava **Liikaraha, inflaatio ja vakauttaminen.** 16 s.
- 4/92 Stanislava Janáčková - Kamil Janáček **Privatization in Czechoslovakia.** 8 p.  
Sergey Alexashenko **The Collapse of the Soviet Fiscal System: What Should Be Done?** 45 p.  
Juhani Laurila **Neuvostoliiton ja Venäjän velka.** 23 s.  
Jukka Kero **Neuvostoliiton ja Venäjän ulkomaankauppa.** 24 s.
- 5/92 Pekka Sutela **Clearing, Money and Investment: The Finnish Perspective on Trading with the USSR.** 26 p.  
Petri Matikainen **"Suuri pamaus" - Puolan taloussuudistus 1990.** 22 s.
- 6/92 Miroslav Hrnčíř **Foreign Trade and Exchange Rate in Czechoslovakia: Challenges of the Transition and Economic Recovery.** 39 p.  
Terhi Kivilahti - Jukka Kero - Merja Tekoniemi **Venäjän rahoitus- ja pankkijärjestelmä.** 37 s.
- 7/92 Seija Lainela **Baltian maiden rahauudistukset.** 23 s.  
Seija Lainela - Jouko Rautava **Baltian maiden poliittisen ja taloudellisen kehityksen taustat ja nykytilanne.** 14 s.  
Sergei Alexashenko **Verojen ja tulonsiirtojen jakautuminen entisessä Neuvostoliitossa.** 17 s.
- 1/93 Pekka Sutela **Taloudellinen transitio Venäjällä.** 11 s.  
Pekka Sutela **Venäjän taloudellinen voima 2000-luvulla.** 9 s.  
Pekka Sutela **Itäinen Eurooppa integraatiossa: ottopoikia, sisarpuolia vai ...** 11 s.
- 2/93 Inkeri Hirvensalo **Changes in the Competitive Advantages of Finnish Exporters in the Former USSR after the Abolition of the Clearing Payment System.** 35 p.  
Miroslav Hrnčíř **The Exchange Rate Regime and Economic Recovery.** 17 p.  
Gábor Oblath **Real Exchange Rate Changes and Exchange Rate Policy under Economic Transformation in Hungary and Central-Eastern Europe.** 31 p.  
Gábor Oblath **Interpreting and Implementing Currency Convertibility in Central and Eastern Europe: a Hungarian Perspective.** 19 p.
- 3/93 Jouko Rautava **Venäjän järjestelmämuutos ja talouskehitys 1992.** 19 s.  
Seija Lainela **Baltian maiden talous vuonna 1992.** 25 s.  
Pekka Sutela **Itäinen Eurooppa vuonna 1992.** 14 s.
- 4/93 Jouko Rautava **Monetary Overhang, Inflation and Stabilization in the Economies in Transition.** 17 p.  
Jarmo Eronen **Manufacturing Industries before and after the Collapse of Soviet Markets: a Comparison of Finnish and Czechoslovak Experience.** 19 p.

- 5/93 Pekka Sutela **Uusi hanke entisen rupla-alueen kaupankäynnin monenkeskeistämiseksi.** 8 s.  
Juhani Laurila **Venäjän velkakriisin kehitys ja nykytilanne.** 10 s.
- 6/93 Jouko Rautava **Yritystuesta sosiaaliturvaan: Julkisen tuen muutospaineet Venäjällä.** 7 s.  
Jarmo Eronen **Venäjän uusi hallinnollinen aluejako.** 7 s.  
Aleksei Tkatchenko **Pienyrittäjäisyys Venäjällä: Nykytilanne ja kehitysnäkymät.** 35 s.
- 7/93 Tuula Ryttilä **Russian Monetary Policy Since January 1992.** 20 p.  
Inkeri Hirvensalo **Developments in the Russian Banking Sector in 1992-1993.** 22 p.
- 8/93 Seija Lainela - Pekka Sutela **Introducing New Currencies in the Baltic Countries.** 26 p.  
Inna Shteinbuka **The Baltics' ways: Intentions, Scenarios, Prospects.** 27 p.  
Inna Shteinbuka **Latvia in Transition: First Challenges and First Results.** 33 p.  
Inna Shteinbuka **Industry Policy in Transition: the Case of Latvia.** 30 p.
- 9/93 Jouko Rautava **Venäjän keskeiset taloustapahtumat heinä- syyskuussa 1993.** 10 s.  
Merja Tekoniemi **Venäjän parlamenttivaalien poliittiset ryhmittymät.** 3 s.  
Jarmo Eronen **Venäläinen ja suomalainen periferia: Permin Komin ja Kainuun luetaloudellista vertailua.** 29 s.
- 10/93 Seija Lainela **Venäjän federatiivisen rakenteen muotoutuminen ja taloudellinen päätöksenteko; Pietarin asema.** 14 s.  
Inkeri Hirvensalo **Pankkitoimintaa Pietarissa.** 14 s.  
Juhani Laurila **Suoran sijoitustoiminnan kehittyminen Venäjällä ja Suomen lähialueella.** 29 s.  
Juhani Laurila **Suomen saamiset Venäjältä. Valuuttakurssimuutosten ja vakautusten vaikutukset.** 8 s.
- 1/94 Pekka Sutela **Insider Privatization in Russia: Speculations on Systemic Change.** 22 p.  
Inkeri Hirvensalo **Banking in St.Petersburg.** 18 p.
- 2/94 Aleksei Tkatchenko **Pienyritysten yksityistäminen Venäjällä.** 23 s.  
Jarmo Eronen **Konversio Venäjällä: tulosten tarkastelua.** 10 s.
- 3/94 Juhani Laurila **Direct Investment from Finland to Russia, Baltic and Central Eastern European Countries: Results of a Survey by the Bank of Finland.** 14 p.  
Juhani Laurila **Finland's Changing Economic Relations with Russia and the Baltic States.** 11 p.  
Jouko Rautava **EC Integration: Does It Mean East-West Disintegration.** 8 p.  
Eugene Gavrilenkov **Macroeconomic Crisis and Price Distortions in Russia.** 20 p.  
Eugene Gavrilenkov **Russia: Out of the Post-Soviet Macroeconomic Deadlock through a Labyrinth of Reforms.** 22 p.
- 4/94 Jouko Rautava **Venäjän järjestelmämuutos ja talouskehitys 1993.** 16 s.  
Seija Lainela **Baltian maat vuonna 1993.** 19 s.  
Jouko Rautava **Suomen idänkauppa 1990-93.** 7 s.
- 5/94 Pekka Sutela **Production, Employment and Inflation in the Baltic Countries.** 22 p.  
Seija Lainela **Private Sector Development and Liberalization in the Baltics.** 14 p.  
Seija Lainela **Small Countries Establishing Their Own Independent Monetary Systems: the Case of the Baltics.** 17 p.
- 6/94 Merja Tekoniemi **Työttömyys ja sosiaaliturva Venäjällä.** 31 s.
- 7/94 Pekka Sutela **Fiscal Federalism in Russia.** 23 p.  
Jouko Rautava **Interdependence of Politics and Economic Development: Financial Stabilization in Russia.** 12 p.  
Eugene Gavrilenkov **"Monetarism" and Monetary Policy in Russia.** 8 p.

- 8/94 Pekka Sutela **The Instability of Political Regimes, Prices and Enterprise Financing and Their Impact on the External Activities of the Russian Enterprises.** 31 p.  
 Juhani Laurila **The Republic of Karelia: Its Economy and Financial Administration.** 37 p.  
 Inkeri Hirvensalo **Banking Reform in Estonia.** 21 p.
- 9/94 Jouko Rautava **Euroopan unionin ja Venäjän välinen kumppanuus- ja yhteistyösopimus - näkökohtia Suomen kannalta.** 7 s.
- 10/94 Seija Lainela - Pekka Sutela **The Comparative Efficiency of Baltic Monetary Reforms.** 22 p.  
 Tuula Ryttilä **Monetary Policy in Russia.** 22 p.
- 11/94 Merja Tekoniemi **Miksi Venäjän virallinen työttömyysaste on säilynyt alhaisena?** 19 s.
- 1/95 Jouko Rautava **Venäjän järjestelmämuutos ja talouskehitys 1994.** 19 s.  
 Seija Lainela **Baltian maat vuonna 1994.** 21 s.  
 Vesa Korhonen **Itäisen Euroopan talouskehitys 1994.** 19 s.
- 2/95 Urmas Sepp **Inflation in Estonia: the Effect of Transition.** 27 p.  
 Urmas Sepp **Financial Intermediation in Estonia.** 32 p.
- 3/95 Vesa Korhonen **EU:n ja Venäjän kumppanuus- ja yhteistyösopimus.** 31 s.  
 Jouko Rautava **Talousintegraatio ja Suomen turvallisuus - Suomi Euroopan unionin idän taloussuhteissa.** 21 s.  
 Jouko Rautava **Suomen idänkauppa 1985-94.** 10 s.
- 4/95 Nina Oding **Evolution of the Budgeting Process in St. Petersburg.** 29 p.  
 Urmas Sepp **A Note on Inflation under the Estonian Currency Board.** 12 p.  
 Pekka Sutela **But ... Does Mr. Coase Go to Russia?** 14 p.
- 5/95 Urmas Sepp **Estonia's Transition to a Market Economy 1995.** 57 p.
- 6/95 Niina Pautola **The New Trade Theory and the Pattern of East-West Trade in the New Europe.** 21 p.  
 Nina Oding **Investment needs of the St.Petersburg Economy and the Possibilities to meeting them.** 20 p.  
 Panu Kalmi **Evolution of Ownership Change and Corporate Control in Poland.** 21 p.
- 7/95 Vesa Korhonen **Venäjän IMF-vakauttamisohjelma 1995 ja Venäjän talouden tilanne.** 37 s.  
 Inkeri Hirvensalo **Maksurästit Venäjän transitiotaloudessa.** 30 s.  
 Seija Lainela **Baltian maiden omat valuutat ja talouden vakautus - pienten maiden suuri menestys.** 14 s.
- 8/95 Pekka Sutela **Economies Under Socialism: the Russian Case.** 17 p.  
 Vladimir Mau **Searching for Economic Reforms: Soviet Economists on the Road to Perestroika.** 19 p.
- 9/95 Niina Pautola **East-West Integration.** 33 p.  
 Panu Kalmi **Insider-Led Privatization in Poland, Russia and Lithuania: a Comparison.** 16 p.  
 Iikka Korhonen **Equity Markets in Russia.** 14 p.  
 Jury V. Mishalchenko - Niina Pautola **The Taxation of Banks in Russia.** 5 p.
- 1/96 Juhani Laurila **Payment Arrangements among Economies in Transition: the Case of the CIS.** 23 p.  
 Sergei Sutyurin **Problems and Prospects of Economic Reintegration within the CIS.** 17 p.  
 Viktor V. Zakharov - Sergei F. Sutyurin **Manager Training - Another Emerging Market in Russian Educational Services.** 9 p.

- 2/96 Jouko Rautava **Venäjän järjestelmämuutos ja talouskehitys vuonna 1995.** 12 s.  
 Juhani Laurila **Katsaus lähialueisiin.** 28 s.  
 Iikka Korhonen **Baltian vuosikatsaus.** 10 s.  
 Pekka Sutela **Ukrainan ja Valkovenäjän taloudet vuonna 1995.** 10 s.  
 Vesa Korhonen **Itäisen Euroopan siirtymätalouksien kehitys 1995.** 17 s.
- 3/96 Niina Pautola **Intra-Baltic Trade and Baltic Integration.** 12 p.  
 Vesa Korhonen **The Baltic Countries - Changing Foreign Trade Patterns and the Nordic Connection.** 16 p.  
 Iikka Korhonen **Banking Sectors in Baltic Countries.** 22 p.
- 4/96 Niina Pautola **Trends in EU-Russia Trade, Aid and Cooperation.** 16 p.  
 Niina Pautola **The Baltic States and the European Union - on the Road to Membership.** 20 p.  
 Elena G. Efimova - Sergei F. Sutyryn **The Transport Network Structure of the St.Petersburg Region and its Impact on Russian-Finnish Economic Cooperation.** 11 p.  
 Iikka Korhonen **An Error Correction Model for Russian Inflation.** 10 p.
- 5/96 Juhani Laurila - Inkeri Hirvensalo **Direct Investment from Finland to Eastern Europe; Results of the 1995 Bank of Finland Survey.** 21 p.  
 Tatiana Popova - Merja Tekoniemi **Social Consequences of Economic Reform in Russia.** 26 p.  
 Iikka Korhonen **Dollarization in Lithuania.** 7 p.
- 6/96 Juhani Laurila - Inkeri Hirvensalo **Suorat sijoitukset Suomesta Itä-Eurooppaan; Suomen Pankin vuonna 1995 tekemän kyselyn tulokset.** 20 s.  
 Jouko Rautava **Suomi, Euroopan Unioni ja Venäjä.** 6 s.  
 Niina Pautola **Baltian maiden talouskatsaus 1996.** 12 s.
- 1/97 Panu Kalmi **Ownership Change in Employee-Owned Enterprises in Poland and Russia.** 51 p.
- 2/97 Niina Pautola **Fiscal Transition in the Baltics.** 23 p.  
 Peter Backé **Interlinkages Between European Monetary Union and a Future EU Enlargement to Central and Eastern Europe.** 19 p.
- 3/97 Iikka Korhonen **A Few Observations on the Monetary and Exchange Rate Policies of Transition Economies.** 8 p.  
 Iikka Korhonen **A Brief Assessment of Russia's Treasury Bill Market.** 8 p.  
 Rasa Dale **Currency Boards.** 14 p.
- 4/97 Sergei F. Sutyryn **Russia's International Economic Strategy: A General Assessment.** 17 p.  
 Tatiana Popova **The Cultural Consequences of Russian Reform.** 17 p.  
 Ludmilla V. Popova - Sergei F. Sutyryn **Trends and Perspectives in Sino-Russian Trade.** 11 p.
- 5/97 Jouko Rautava **Venäjän järjestelmämuutos ja talouskehitys vuonna 1996.** 10 s.  
 Iikka Korhonen - Niina Pautola **Baltian talouskatsaus 1996.** 12 s.  
 Merja Tekoniemi **Katsaus lähialueisiin 1996.** 11 s.  
 Merja Tekoniemi **Ukrainan talouskatsaus 1996.** 10 s.  
 Kari Pekonen **Valko-Venäjän talous vuonna 1996.** 6 s.  
 Katri Lehtonen **Keski- ja Itä-Euroopan talouskehitys vuonna 1996.** 13 s.
- 6/97 Niina Pautola **Towards European Union Eastern Enlargement - Progress and Problems in Pre-Accession.** 17 p.  
 Katri Lehtonen **Theory of Economic Reform and the Case of Poland.** 26 p.  
 Boris Brodsky **Dollarization and Monetary Policy in Russia.** 14 p.
- 7/97 Toivo Kuus **Estonia and EMU Prospect.** 24 p.  
 Olga Luššik **The Anatomy of the Tallinn Stock Exchange.** 23 p.  
 Riia Arukaevu **Estonian Money Market.** 20 p.

- 1/98 Iikka Korhonen **The Sustainability of Russian Fiscal Policy.** 8 p.  
Tatiana Popova - Merja Tekoniemi **Challenges to Reforming Russia's Tax System.** 18 p.  
Niina Pautola **Optimal Currency Areas, EMU and the Outlook for Eastern Europe.** 25 p.
- 2/98 Peter Westin **Comparative Advantage and Characteristics of Russia's Trade with the European Union.** 26 p.  
Urszula Kosterna **On the Road to the European Union - Some Remarks on Budgetary Performance in Transition Economies.** 31 p.
- 3/98 Jouko Rautava **Venäjän järjestelmämuutos ja talouskehitys vuonna 1997.** 11 s.  
Merja Tekoniemi **Keskuksen ja alueiden välisten suhteiden kehitys Venäjällä 1992-1997.** 10 s.  
Niina Pautola **Baltian talouskatsaus 1997.** 11 s.  
Merja Tekoniemi **Katsaus Suomen kauppaan IVY-maiden ja Baltian maiden kanssa 1990-1997.** 11 s.  
Tom Nordman **Kiinan talouden tila ja ongelmat.** 11 s.  
Merja Tekoniemi **Ukrainan talouskatsaus 1997.** 10 s.  
Iikka Korhonen **Keski- ja Itä-Euroopan talouskehitys 1997.** 12 s.
- 4/98 Kustaa Äimä **Central Bank Independence in the Baltic Policy.** 30 p.  
Iikka Korhonen – Hanna Pesonen **The Short and Variable Lags of Russian Monetary Policy.** 11p.  
Hanna Pesonen **Assessing Causal Linkages between the Emerging Stock Markets of Asia and Russia.** 10 p.
- 5/98 Laura Solanko **Issues in Intergovernmental Fiscal Relations – Possible Lessons for Economies in Transition.** 19 p.  
Iikka Korhonen **Preliminary Tests on Price Formation and Weak-form Efficiency in Baltic Stock Exchanges.** 7 p.  
Iikka Korhonen **A Vector Error Correction Model for Prices, Money, Output, and Interest Rate in Russia.** 12 p.  
Tom Nordman **Will China catch the Asian Flu?** 14 p.
- 6/98 Saga Holmberg **Recent Reforms in Information Disclosure and Shareholders' Rights in Russia.** 17 p.  
Vladimir R. Evstigneev **Estimating the Opening-Up Shock: an Optimal Portfolio Approach to Would-Be Integration of the C.I.S. Financial Markets.** 39 p.  
Laura Solanko – Merja Tekoniemi **Novgorod and Pskov – Examples of How Economic Policy Can Influence Economic Development.** 14 p.  
Ülle Lõhmus - Dimitri G. Demekas **An Index of Coincident Economic Indicators for Estonia.** 12p.
- 7/98 Tatyana Popova **Financial-Industrial Groups (FIGs) and Their Roles in the Russian Economy.** 24p.  
Mikhail Dmitriyev – Mikhail Matovnikov – Leonid Mikhailov – Lyudmila Sycheva **Russian Stabilization Policy and the Banking Sector, as Reflected in the Portfolios of Moscow Banks in 1995–97.** 29 p.
- 1/99 Jouko Rautava **Venäjän järjestelmämuutos ja talouskehitys vuonna 1998.** 10 s.  
Iikka Korhonen – Seija Lainela **Baltian maat vuonna 1998.** 10 s.  
Tom Nordman **Kiinan talouden tila ja näkymät.** 13 s.  
Pekka Sutela **Ukrainan talouskatsaus 1998.** 14 s.  
Iikka Korhonen **Keski- ja Itä-Euroopan talouskehitys vuonna 1998.** 10 s.