

Notes on the Russian Revolution: Impressions of Moscow, May 16-30, 1992
Stephen T. Easton
Simon Fraser University¹

It was the cheapest of times. It was the most expensive of times. I recently spent two weeks (May 16-30, 1992) in Moscow. At one point I bought dinner for six at a good Russian restaurant and paid \$7.40 (with wine). At another time, starved for western cuisine, I bought a club sandwich and a beer at the Hotel Metropole for \$58.² Caviar that sells for \$70 per 28 gram glass jar here sells for \$40 a half kilo at a Russian store in Moscow. Gasoline prices were raised from less than 2 cents a liter to 6 cents a liter overnight while I was there!

I had the opportunity to meet with a number of social scientists from universities and institutes throughout Moscow. I met four "real" economists in the sense that they were interested in problems of economic science and understood enough about western economics to ensure that we had a common core for discussion. I met a number of "politologists" -- their term for political scientists, and a number of "humanitarians" -- their word for humanists and the humanities. I lectured to the first group of Russian economists who are undergoing retraining in the art of western economics.

A few "facts" to help condition what follows. The Gross Domestic Product (GDP) is said to have fallen by between 25% and 33% in the last two years.³ The average wage is 2,100 rubles a month. Inflation is perhaps 1% a day. The government is currently committed to phasing out the use of foreign (hard) currencies for trade within Russia by 1 July, 1992. The plan is to set the exchange rate at 80 rubles per dollar by 1 August. The rate as of 30 May, 1992 was between 110-130 rubles per dollar US.

The economy is a cash economy.⁴ The use of cheques is unknown for most personal transactions. There is a law that will make cheques required for amounts over 10,000 rubles. Like so many rules in Russia, its status is a function of circumstance. This one is not seen as enforceable at the present time. It is perceived as potentially enforceable which gives rise to some anxiety among those with whom I spoke. There are some 1,800 banks. They do not appear to face lending constraints of the usual sorts. If they are short, the government is expected to provide them with unlimited credit. I did not have a chance to verify the mechanisms although many people complain bitterly about their operation. There is a body of opinion that the banks are run by ex-communists who have

¹I am grateful to Simon Fraser University for partial travel support and to the Institute of the USA and Canada for support in Moscow. This narrative was completed a few weeks after my return.

²This price difference suggests the extremes present in the Russian and the hard currency sections of Moscow. Should it be possible to trade freely, the gains from exchange are enormous.

³It is unclear whether this includes military production. There is a certain fascination with physical output as opposed to services.

⁴Periodically there are currency shortages. Three times my trip to the bank at the hard currency hotel was greeted with the message, "We have no rubles today." Once I took \$150 in 10 rubles notes. I needed a shopping bag.

the capital to start the enterprise drawn from (illegal) external communist party accounts abroad. This adds to the sense of distrust.

Some General Remarks

Let me review a few themes that I will not develop, but I feel underlie some of the phenomena I observed. The first is the theme of the economy. The evolution of the market is a complex thing. It is not a "natural" process in the sense that if you leave it alone, it will happen on its own -- at least not in Russia. There are several grand difficulties. The first is that there are no financial assets in Russia and very few private assets of any kind. This leads to the problem that one's job is a title to wealth in the bureaucracy. You can receive bribes, obtain favors from colleagues, use company resources as your own, and have access to far better housing than would be possible outside the company. Without financial assets, there is nothing with which to bribe senior bureaucrats into changing their roles. There is nothing that you can give them to buy them out. I view this as a serious problem. Until there is some relatively efficient way to induce change in the personnel, those in positions of influence in the economic structure have every incentive to obstruct and block change. It is simply impossible to buy them out by giving them a golden handshake. There are effectively no assets that you can give them that will compensate for their current perks.

A second problem is one of attitude. In a way, Russians are in shock. Until the reforms, they felt themselves to be a first world power. Now with their eyes opened, they see themselves as a third world economy. It is an unhappy idea that takes getting used to.

In addition, there are any number of ideas held over from earlier times. For example, the view is that those who are engaging in street trade are "parasites" -- a word that appeared in Yavlinski's⁵ economic assessment of the first year of Yeltsin's regime. The idea that they are providing a service by bringing the goods closer to the people is simply not credited. Abstractly, I found that services are understood by the economist with whom I spoke, but not in this context. The street vendors are getting goods from somewhere in the state sector and then reselling them. If they had left them in the state store, then goods would all be available more cheaply. The vendors don't actually produce anything!

The attitude toward wealth. There is a lot of past conditioning that has established that in order to acquire wealth, you have to be corrupt and antisocial. This may break down, but in the past you were wealthy only if you were a corrupt official -- in government or the factory, or a criminal in some sphere.

The political-economy concern. To the extent that Yeltsin's supporters come from groups in society that are relatively well educated and well established -- teachers, some bureaucrats, professors, various academics (among others), they are being heavily hit by the inflation and the government's economic policies attempting to deal with inflation by delaying salary increases.⁶ This economic erosion strikes at the heart of the political support and represents a time bomb. The only consolation is that they have no

⁵Yavlinski was the economic author of Gorbashov's 500 Days to reform program and is currently a critic of the (now Prime Minister) Gaidar reforms.

⁶This is not to say that others are not being hurt by the policies as well.

financial assets to wipe-out, and by enabling them to privatize their apartments, the government may be able to buy time for the reforms by giving them non financial wealth.

Mechanics of Politics: there is the People's Congress of 1,068 Deputies. The Supreme Soviet is the smaller working parliament, two groups of 126 members as I understand it, for day to day operation. There is the cabinet of the government and the President who has the power of decree for certain kinds of laws.

Politics and the Constitution: there are currently 5 different constitutional proposals floating around in Russia. The most important ones are those of (i) the Supreme Soviet (SS), and (ii) the friends of Yeltsin constitution (FY). The catch is that the Supreme Soviet constitution is the (ongoing) product of a committee of the Supreme Soviet that is chaired (nominally) by Yeltsin. However, the fact is that it is populated by 50% former pre-democratic reform members. Consequently, Yeltsin is thought to favor another proposal which is the friends of Yeltsin proposal. The key differences, as I understand it, are that the SS version has a vision of the Presidency as being less powerful than the FY proposal. In particular, the SS proposal has the cabinet reporting to the "Duma", and the President unable to dissolve the (two) Houses of the legislature. The FY proposal has the cabinet responsible to the President although ratification of cabinet members is by the houses. The President can also dissolve the Houses and has somewhat greater veto powers than in the SS proposals.

There are likely to be two houses of the new government modeled in large measure on the US model with both regional (ethnic and nationally based) and proportional houses elected on a first-past-the-post system like the US House of Representatives. Both will have to approve laws. There will be a veto by the executive, but the exact details differ among the proposed constitutions. The idea of checks and balances is present in all versions.

How to get from here to there with the constitution. The People's Congress, half of which consists of elected representatives of trade union, the army, other organs of the state, wants to have no new constitution ready until their terms of office are over in 1995. Yeltsin has threatened a referendum on the issue of a new constitution -- presumably the FY version. This is the ultimate threat to the positions of those in the Congress and Supreme Soviet -- the actual working parliament that passes day to day legislation.⁷ The catch is that, by decree, Yeltsin has banned referendums. This restriction is of doubtful validity. Further, in order to permit referenda, Yeltsin must revoke the decree. But then many issues may be brought to the referendum process, not just the FY constitution. Further this will bring about new elections for the houses of parliament. It is not clear how well that will go for Yeltsin although half of the Deputies, many of whom are former communists, will be unlikely to be reelected. Yeltsin's staff is very concerned less they

⁷The Congress meeting once or twice a year.

misjudge the vote. It was of great concern to the Deputy with whom I spent half a day at the "White House".⁸

Political Parties Russian Style:⁹ There is a perception that there are no parties proper. The liberal reforms came about through the activity of the Democratic Russia Movement which was and is not seen as a party proper, but as (then) an anti-establishment effort to oust the incumbents. Now there are "parties", but it is difficult to say what that characterization means in Russia today. There is the Republican Party of the Russian Federation (1990) which is a collection of former communists who were interested in reform. They have twenty or so supporting them among the Deputies. The Social-Democratic Party of Russia (1990) has 5,000 members in 106 regions. The Free Russia People's Party (Rutskoy's party -- the Russia Vice-president) is also a transformed party of ex-communists which has as many as 100,000 members in 62 regions with over 100 deputies. There is a Christian Democratic Movement with 15,000 members and a few deputies which is a relatively benign nationalistic party (in contrast to the anti-Semitic nationalism of the Russian National Front or the Pamyat), and a Socialist Party of Working People which also has 24 deputies and is interested in defending some of the communist ideals. The parties are very much in flux and their economics stance is often difficult to understand. The actual power of these parties is also not clear as the process of government is most often described in terms of the individuals in the leadership.

Style in Governance: I was told that Russians do not like their leader to be too visible. The Russian attitude being that he should be working not nattering in public. It is certainly true that the very attributes that Gorbachev has that have made him the darling of the West, have made him an object of scorn and ridicule at home in Russia. I was astonished at the depth of dislike of Gorbachev. He is perceived as being (i) a highly authoritarian leader who would still be a communist if at all possible -- with all the unpleasant associations that brings, (ii) a political has been, (iii) an opportunist who makes money in the West and hopes (vainly) to destabilize Russia to his own advantage. Yeltsin, on the other hand, is seen as a man of the people. He speaks to the Russian soul. He is direct and honest. These views were held by several different people with whom I spoke. However, there was a less well articulated perception that Yeltsin, too, was a man of the past. In the constitutional debates, he is seen as wishing to retain many authoritarian elements for the presidency. The problem for those characterizing themselves as democrats is that there is simply no other figure at the present time who commands any widespread support.

Privatization: There is an effort to privatize the economy. There is a national law which is very much in process which currently permits firms first to be identified and

⁸ The White House is the seat of the Supreme Soviet and was the emotional and physical heart of the new revolution which was circled defensively by people during the August "coup" attempt, and where Yeltsin stood on a loyal tank to denounce the plotters.

⁹This material is derived from Alexander Darchiyev, "The Emerging Multi-Partiesm in Russia" MS undated and conversations with the Darchieyev who is a professor of politology at Moscow State University.

then privatized. A minuscule fraction of small businesses have been privatized. If, by some counts there are 450,000 potential businesses to be identified, then as of a couple of months ago, about 20,000 had actually been identified legally and about .1% had actually undergone privatization. All these data are drawn from well placed sources who (in fact) have only the roughest ideas about the actual numbers. There is no real clearing house for information of this kind although some efforts are being made to centralize the information. Unfortunately it is a highly politicized kind of information which leads the government to be less than forthcoming and the critics to be less than generous.

This is particularly interesting in terms of agriculture. The ability to privatize has been made more difficult by the recalcitrance of the People's Congress, many of whom are holdovers from less democratic times, to adopt clear legislation at the last general meeting. As a result there is a great deal of exasperation among the general populace who supported Yeltsin and see the inability to generate real privatization (although it is not clear exactly what they mean by it) on the farms. Further, a number of the large Kolhoz (state farms) are really not too interested in privatization. The leaders who were also leaders in the former regimes are dragging their feet, and there are apparently a number of workers on the Kolhoz who do not want the responsibility of their own land. Part of this is due to the nature of the laws that make it awkward to use land as one might like once privatization has taken place -- e.g. no one is clear whether you can rent land that has been privatized to other people or if you have to work it yourself. There do not appear to be mechanisms in place to permit real rentals of equipment or even sharecropping kinds of arrangements. The uncertainty as to what it all means is being encouraged by the managers -- I was told. Another difficulty is that there are challenges to privatization of large plots of land. People who live in villages around the Kolhoz argue that they have an interest in the land since they provide support to the farms. They want a piece of the state farm.

Second. Within Moscow (at least) it is now costs about 300 rubles to privatize one's own apartment. Fine. What is not clear at all is that there is the ability to sell it to whomever you wish if you do privatize it! There have not been any cases. It is not entirely clear in law what responsibilities the individual has vis-à-vis the rest of the apartments in the building. But there is some hope that this will become more clear in the near future. A further difficulty is that the right to live in Moscow is still in the gift of administrators. The market value of a "praproski" is about 300,000 rubles at last measure.¹⁰ This means that it is out of the reach of ordinary Russians and can only be obtained by large enterprises which want to bring someone to the city. It also has some rather obvious ramifications for the adjustment process in the labour market. How important is this right to live in Moscow? Again it is not clear. In the old regime, all your basic services -- medical, employment, schooling, etc. were dependent on your address which was registered with the police and written in your internal papers which you were required to have on your person at all times. The current laws are technically the same, I was told, but people do not in fact act as if they were too important except for the establishment of residence. This ambiguity underscores a problem. Nobody seems to have a clear idea of what the real state of affairs will be tomorrow. People operate on the basis of a tacit understanding of what is or is not being enforced at the moment. It leads

¹⁰A "praproski" is a right to live in (say) Moscow.

to real fear about the operation of the rules of law. In particular it means that a change in regime may bring about enforcement of rules that are on the books yet not enforced at the present time.

I went to a conference on privatization in the Great Hall of the Congress of Peoples' Deputies in the Kremlin Palace. It was stunning to sit in the hall and watch speakers on the same dais recently used by Breshnev, Andropov, etc., to argue about the speed at which privatization would occur with a big banner stretched across the stage reading "Privatization Now". A number of different speakers gave what I can only report as mealy mouthed platitudes about the process and how well it was going until a woman came to the platform and pointing to the other speakers said, "You lie! You lie! And you're ignorant!" She then listed the kind of bribes she had to pay ("If," she said, "I had ever paid bribes." -- big laughs from the audience.) Further, she scolded the optimistic banker who had spoken before her, "Why did I have to leave one-third of my deposits in a shoe box which I never saw again when I opened my account? This account is worthless for writing cheques outside of a 50 mile radius of Moscow unless you are willing to wait months for cheques to clear!" The audience loved it.

Prices: Prices are free to vary for a wide range of goods. These do not include fuel or the output of various large industries. This has led to wild variations in the day to day price of those commodities that are set by decree -- gas prices jumped from 2 rubles a liter to 6 rubles a liter one day, and more hikes must be in sight. This of course leads to shortages as the gas stations prefer to wait until prices rise.¹¹ I suspect that the gas stations or suppliers have some reward based on price, but I can only document what I observed. Needless to say when there are long lines even at 6 rubles, there are people going along the lines who are willing to fill your tank at 20 rubles a liter.

Prices are clearly free to vary in the market for food. Fresh fruit is generally available at a high price. Bananas made their appearance for the first time in several years. They are at the astronomical price of 150-300 rubles a kilogram, but they are now available in many markets. By many what I mean is that there is a fruit market at most major metro (subway) stations. The best markets and the cheapest markets are well known, and this is a subject of conversation. There are some drawbacks as people are concerned that fruit from the Chernobyl region is mixed with fruit from other regions. I did not see any overt identification of this in the markets although friends warned me of this possibility. Every metro station has a market of some kind with books and various odds and ends for sale -- cigarettes, fuzzy toys, pins, paper products and the like.

The state stores have mixed amounts of food. Milk lines are common as the free price of 20 rubles a liter is 10 times the state price. Meat is really miserable in some stores, yet in others it is very nice although even then the state store price is high. I did not observe "free markets" in meat. I was told that the same rules apply now as before -- you have to know someone who works in the store to get good meat.¹²

¹¹Although it would surely be true in a market economy, it is less clear why this should be so in the Russian economy. I am not clear what the benefit would be to the seller in the state store. I am reporting what was apparently happening.

¹²I did observe some very expensive and nice chicken in a state store. I do not know what the process was that got this store the goods.

The Market is very much on everyone's mind. Within three blocks of Red Square, I went to a market with 22,000 people in it. (I "counted" them.) It was on the four sides of a city block. The vendors stand in straight lines each holding their products in their hand or they are standing next to whatever it is they are selling. There were eight such lines that ringed the entire city block. Purchasers walk in between the lines and around them looking at the products.¹³ This was not a food market. Those operate at various subway stops -- I counted roughly one market per three stops. I did see one open air food market that stretched for over a kilometer and one half along the sidewalk. It was enormous. Apparently it operates every day.

Along the Arbat, a street known for a series of tables and stalls and small state shops selling tourist goods, some of the private dealers now have small apartments "rented" from caretakers of the state buildings in which they store goods not on display. I asked one fellow how he had managed to accumulate all this inventory. He said that he had started selling pins and rings. Then he had had the good luck to buy cheaply a number of icons. These he sold to a western dealer. The hard currency he obtained allowed him to expand. Now he carries a inventory of several hundred goods.

Crime is a problem. There are protection rackets and one sees guards in some of the stores selling liquor, cameras and electronic goods. For a radius of several blocks around the McDonalds in downtown Moscow, young boys will offer to guard your car for you. There may even be attempts at price fixing. Along the Arbat, nominal ruble prices are the same for certain standard goods. If you go to buy, however, the rate at which the vendor will change your dollars to rubles will vary.

The Economic Reform Process: One of the problems that has become apparent in the process of reform is that the Gaidar government has freed (most) output prices but not (all) input prices. This causes two kinds of problems: one economic and one political. First, this gives the wrong kind of incentives to factory managers. Recall that there is a tendency inherited from the old communist system to use "the big one" form of industrial organization: build one big factory, not two smaller ones. As a result, there is a tendency for factories to have some kind of monopoly power at least at the present time.¹⁴ If you have a set of subsidized inputs and unrestricted output price, then it certainly pays to take advantage of the lower input costs and at the same time *restrict* output below that which would be optimal in a competitive environment. Further, the local manager can take charge of sales on an ongoing basis. Thus there is less of a stimulus to output, and there is a rise in the relative prices of exactly the goods that the government had hoped would provide evidence of successful reforms by expanding quickly in the initial phases of reform. Second, and in some ways more corrosively, there is the perception that the system encourages corruption by defrauding the state. That is, there is resentment that

¹³ On that same day, I went to two other markets of comparable magnitude and was told that there were several others operating for a total of *eight* such large markets around the city.

¹⁴I have no genuine empirical basis for this observation other than second hand readings and the claim of many Russians. It is certainly the perception that this is the case. It has particular bite in cases in which the "one" is now located in an autonomous republic. The trade negotiations are now international. It was this feature of the desire for "free trade" that originally stimulated interest in my paper on the Canada-US Free Trade Agreement.

managers can buy at subsidized prices and sell at market prices. This generates considerable bitterness among those with whom I spoke.

In this dimension it is interesting that the Gaidar government has not "explained" the reforms. Gaidar himself has really only been in the public eye once in this context. Only at the time of the Congress of People's Deputies, I am told, was he publicly defending his path to reform. Apparently he was very successful. Whereas the general perception was that the Congress would diminish his powers -- recall that about half the deputies in the Congress are ex-communists -- he emerged with his powers untouched. He was seen as very persuasive (as well as politically adept.) In my two weeks, I saw very little evidence of the government defending itself in a systematic way. Certainly I did not see Gaidar do so in public, nor did I see anyone giving what I would term an *economic* explanation for the kinds of reforms. There were sporadic political explanations -- we did what we did because there was no choice -- kind of statements, but even these were not coordinated at the national level. The active defenders tended to be lower level city officials, or national leaders making pronouncements defending specific policies. I asked many people, some of whom were very well placed in the political arena and others of whom were economists of one kind or another, to explain the economics of the patterns of reform. No luck. No one really has a clue to why the government is doing what it is doing. It is more a feeling that by freeing the market, things will get better some day -- they hope. I would characterize the attitude as being one that "Russians have always suffered in hope for the future." There is a similar sort of resignation about the current reforms. There is little sense that there is a coherence or internal logic to the government's path of reforms. There is dissatisfaction about policy details: too little emphasis on rooting out corruption; too slow on privatization; too hurtful to those on fixed incomes, etc.; but Russians are (again) willing to suffer if there is hope for a better life in the future. I would suggest that this kind of situation is very unstable if income continues to drop since there is no deeper logic or democratic alternative present. In my view, the government needs to explain the logic of the reforms.

The business tax structure is wild and although paid by only a few firms, is viewed apprehensively by many other potential firms. Here is how I understand it:

- a value added tax of 28% on the final good,
- a payroll tax of 37%,
- an "excess wage" tax in which wages paid above the minimum wage are added to "profit" and is thus taxed at 32%.

This amounts to a 60% marginal tax rate on output, and for every additional worker hired above the minimum wage (recall the average is R. 2,100), the tax on labor hired is both the payroll tax and the excess profit tax.¹⁵

¹⁵Nominally we have total sales pX , where p is the firms selling price (not including the 28% value added tax), and wage cost wL and other input costs vV . If wages are above the **minimum wage of 1368 rubles per month**, then you add the difference to taxable "profits". The tax on the firms is : $T = \{(.28)(pX - (1.37)wL - vV)\} + \{(.37)wL\} + \{(pX - (1.37)wL - vV) + (w - 1368)L\}(.32)$ where the first term in braces is the value added tax, the second term is the payroll tax and the third term is the tax associated with "profits".

Social Conditions: I visited Moscow in 1968. One of my recollections of that time is that there were no beggars on the streets. I do not know the reason for this. It may be that there were no poor. It may be that they were treated in a different way by the authorities, or simply kept out of the central core. In any case, there are beggars around the major tourist sites in Moscow today. There are few beggars off the major routes, but some have relatively well defined areas in which they beg. In the Red Square area there are several who are well known. Muscovites that I met tend to be most irritated with the "gypsies" as they call them. These are mothers with small children wrapped in characteristic patterned cloth much like the "gypsies" and North Africans in Paris. The older children tend to mob the target and one can feel small hands tugging at your pockets and hands simultaneously.

Most of the people with whom I spoke felt that the reforms had created different groups of destitute than had existed before. Those who are on pensions and who are not very active physically are vulnerable since they are unable to function when the pension checks are delayed, or are not able to get out and around to acquire less expensive goods for which they previously simply had to stand in line. This is not something that I was able to verify as the government is very sensitive to this issue and argues that pensions are delivered on time.

An additional consequence of the price changes is that public drunkenness is very limited now. Vodka must be too expensive. In 1968 you could not walk for more than ten minutes without seeing someone reeling. This is no longer the case.

Crime is also present now in the daily lives of Muscovites. I saw many apartments in which the doors were reinforced with steel or other bracing. Locks, familiar to US city dwellers, are also apparent. This is new since the demise of the police state.

I went to a meeting at which one of the public health officials spoke about what is happening in Moscow this summer. He is worried about AIDS and food related illnesses. AIDS in Russia is unique, he suggested. It is the only place where two out of three childhood cases are caused by hospitals reusing contaminated needles. This summer is likely to see an sharp increase in food related diseases for which medical supplies are critically low. He suggests that public (unregulated by his office) food markets will sell rotten food to children who are in town instead of in the country. They are in town because the government programs to permit children to holiday outside the city have been curtailed for lack of funds. The audience was not happy when he described the amount of food his office condemns every day -- particularly meat. He was forced to give a long discourse about the way in which the condemned food is treated to make it inedible as the audience clearly suspected that it was being diverted into someone's pocket.

Housing: Russian housing has always been terrible. The buildings are disintegrating and repairs are grossly inadequate. All building (until the reforms) are owned and maintained by the state in one form or another. There is extraordinarily little repair and renovation. There is some new building taking place in Moscow, but not very much -- at least in the core and where I could see things. To give some idea of the problem. A professor at Moscow State University described the conditions in which he lived. For 9

years he lived with his wife and their parents in an apartment of 9x9 meters -- 250 square feet, shared toilet and kitchen. After the birth of his daughter, they were fortunate to be able to move to an apartment of larger proportions: kitchen, living room, 2 bedrooms, and a bathroom -- about 600 square feet. It is considered a nice apartment which, since their parents have died, now is spacious by Moscow standards. One trick is to get housing for yourself and then keep your parents housing by technically living in it after they die. With the advent of privatization, it will be interesting to see what happens here. However, until the laws are clear about what is really meant by privatization, it will be difficult for people to invest too much in their properties.

Academe: The Russians are engaged in a massive retraining program. I lectured to a group of twenty or so professors who are undergoing training in western economics.¹⁶ They are the pilot project for the rest of the Russian economics profession. The group to whom I spoke ranged in ages from thirty to sixty. They had had two months of intensive study of a standard elementary textbook (Dolan -- who had translated it into Russian himself) when I gave my lecture. I lectured on trade theory to an appreciative audience. I told them that I knew they must be a select group to have been chosen first to be reeducated in this manner -- and I only wished my classes at SFU were as appreciative all the time -- but they insisted that they were not specially selected. They were representative, not selective, of their institutions (from all across Russia.) Further, they insisted, this was a wonderful opportunity to learn. They had for years been going through the motions of teaching Marxist economic dogma that they knew was irrelevant. Worse, their students knew it was irrelevant. It made economics a boring and frustrating occupation. Now for the first time they could systematize their knowledge about "real" economics. They had a smattering of understanding that they had picked up from one source or another, but now they could study it as a whole. They were simply terrifically enthusiastic and terribly genuine. My heart went out to them even as I recalled that there are about 7,000 more to be trained and 700,000 high-school teachers. A truly daunting task. I would say that at that point in their training, this group had the understanding of what we would expect from a strong student who had completed a second semester microeconomics class.

Books and articles. Although in one sense Russians have access to everything now, the problem is that there is only one of anything. There is a copy of any number of English language textbooks, but only one copy. The situation is worse as far as journals are concerned. For the first time there are no hard-currency subscriptions available.¹⁷ As I understand it, the US. National Academy of Sciences is going to subsidize subscriptions to some Russian institutions. Some initiative from Canadian institutions would be appropriate and welcome. The Canadian Economics Association is likely to take some action in this regard soon at least for our house journal. Textbooks are very

¹⁶There are several groups of professors. There are those with doctorates called candidates who have not written a thesis; there are those who have written a thesis; and there are academicians who are senior scholars. At least they are supposed to be. In fact there was a strong political component to the latter until recently. The system is still in flux. The thesis is not apparently as important as it is here.

¹⁷With some chagrin my Russian hosts remarked that not even during the Stalin purges were subscriptions to western journals cut off.

difficult to get. There are two problems. First there is the money problem. They are simply too expensive. Second, even if we were able to provide the books we have to get them there physically. This is nontrivial. At the present time it may take months for a letter to travel from Canada to a Russian in Moscow. Anything of any value may be appropriated along the way. There is a high probability, I was assured repeatedly, that if valuable textbooks were sent, there would be attrition of as much as 25-50%. A truly valuable book on art would simply never make it. Now, however, I did notice that UPS is running a service in Moscow. It may well be appropriate to try to cut a deal with them to deliver from academic institutions to academic institutions. In any event, the most efficient way at the present time is to communicate via E-mail or fax. The fax and photocopy business is a problem, however, for many institutions at the moment. Even at the very prestigious USA-Canada Institute, if I wanted copies of documents, I had to provide my own paper -- i.e. the person doing the photocopying did not have a supply of paper. At the Institute of World Economy, they are allowed two faxes a month. In less well established institutions, it is even more extreme. There are myriad examples of shortages at academic institutions.

Additional topics: the army, the arts, and the "putsch".

Is the army under control? And if so, whose? I think the answer is that the army is still in control of its assets, but that civilian control is significantly weaker than in western countries. In a broad sense the army is not likely to intervene directly in politics -- at least that is the impression I gathered from those with whom I spoke who are at least passingly familiar with the issue. In a more realistic sense, there is considerable unease. I have one illustration that did not make the big-time news and yet was potentially and possibly still very significant in the Russian context. One of my contacts came in one morning very upset. He had seen news that the 14th Shock Army (a real army rather than a training formation) on the Moldavian frontier had attacked across the border in support of ethnic Russians who were fighting the Moldavian army, police, or whomever. This was perceived as a major problem because Yeltsin who was both President and Defense Minister had unambiguously declared that the Russian army would not attack another republic. The government went into intense self-examination. After much discussion during the day, it was announced that the first reports were wrong. Units of the ethnic Russian militia from Moldavia had crossed into Russia and broken into an armoury and stolen weaponry with which they had attacked the local Moldavian "army." The next day Yeltsin resigned his post as Defense Minister, and a military man rather than a democratic reformer was appointed to the post. What was the reality? I do not know and no one with whom I spoke seemed to be able to decide.

The arts: There is a flourishing of the modern arts in Moscow today at least as far as what it is permissible to perform is concerned. I saw the first performance in Moscow (in Russian) of *M. Butterfly*, the Broadway play. It was extremely well received by a large audience, and as it is about homosexuality among other topics sensitive to the old regime, it is obvious that one can perform what one likes. Makarova, the distinguished ballerina, was in the audience and called up on stage where it was announced that she will be in a play by the same company soon. By the way, ticket prices are mad. We paid 20 cents to

see the Bolshoi Opera Company, and the same to see the Kremlin Ballet -- the best according to some (although I wouldn't agree on the basis of what I saw.) As you might expect, the only way to get tickets is to know someone who knows someone. Scalpers are everywhere -- but that is relatively unchanged from the old days. There is certainly no fear of censorship at the present time. Russians love to poke fun at their politicians, and we saw many examples of take-offs on Yeltsin, Gaidar, and ex-communists of all sorts. There is still a bitter-sweet flavour to it all.

Some curious consequences of the reforms. Social realism is dead, dead, dead. Needless to say the price is going up and up and up...to the chagrin of local artists. On a sadder note, we were told that academics who wanted to be subversive chose to exercise their subversive character by specializing in aspects of ancient history. From this academic vantage point they could report more freely on their conclusions, and tailor them to a less doctrinaire cut. With the end of the communist period, they find themselves now merely ancient historians with a sharply diminished readership and *raison d'être*. One important ingredient to their specialization has been diminished. This is causing a good deal of soul searching I was told.

The "putsch". What were you doing when the announcement came that Gorbachev had been removed as President? Like the Kennedy assassination, I think we all remember. Most assuredly the Russians do. The horror of that moment is seared in the Russian national consciousness. The terrible thing, we were told, is that the sound of the radio and television changed back from free to the same tones of voice and vocabulary associated with the communist regime. This sent chills down people's spines as they realized that "they were back." The fear of the KGB and the terrors of the dark society were immediately called to mind. It is worth seeing some of the films that were shot on the first day when the barricades went up around the White House and people took to the streets to defend it. Then as they stood around to watch their faces, ashen and gray, and to see the home video camera pan around to watch as the first tanks took up position, rolling down the street and over the bridge to face the crowd. They clearly thought that some would die that day. It was a moment of truth not fully appreciated on this side of the curtain. I wait for the Pete Segers and Phil Ochs to commemorate these times.

This concludes my observations and commentaries. Russia is an amazing country with a vast set of problems. However, as I wrote in a "my view" piece in the *Moscow News*, it is a nation with magnificent potential. It has natural resources and human capital. Were it not for decades of an intrinsically incompetent management system, we would expect this nation to be among the leaders of the world in standards of living by any usual empirical criteria. Now they are trapped in the limbo of going from here to there. We have sufficiently little experience with the process to need to wish them luck rather than being able to offer certain guidance. Although there are things we can do in the small to help individuals and institutions, the larger issues will have to be dealt with by made in Russia policies. No level of international support can change attitudes and ideas. They must come from within.