

Winiecki, Jan

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Soviet-Type Economies and Reform Failures – A Touch of the Socialist Midas

by Jan Winiecki, Warsaw*

Various market-type reforms have been introduced into the economies of Eastern Europe in recent years. These have often been warmly applauded in the West, but their success so far has been at best marginal. Without radical changes in the fundamentals of the Soviet-type economic system such reforms can have no lasting impact.

“A half-formed country. An unfinished society. It seems we have neither the time nor the stamina, nor the decisiveness, to finish anything. . . or to put anything in order. Our houses are without plaster, our investment projects half-finished, our reforms – unfinished. . . A conviction is quite widespread that it is not worth-while doing anything, no matter how important it might have been, since our attempts are doomed anyway.”

Is this a report from Poland, where the feeling of hopelessness is running high after five years of dashed hopes passing in the midst of continuing decay? No, it is a Hungarian sociologist's portrait of Hungary,¹ a Soviet-type economy so often acclaimed in the West as a reformers' paradise. Hungary, a country of *relative* success, i.e. which works marginally more efficiently and makes life somewhat more bearable than elsewhere in the Soviet bloc, is facing an uncertain future. Unsolved fundamental problems with regard to economic reforms are exerting increasingly strong pressure upon the prospects of that country.

If fundamentals have been avoided in Hungary then the same situation exists to an even greater extent elsewhere in the Soviet bloc, i.e. in Poland or in the *Johnny-come-latelies* of economic reforms in Eastern Europe. With fundamentals left unsolved, difficulties are intensifying everywhere.² And these fundamentals are not tantamount simply to introducing some market-like measures, which would be widely applauded by Western journalists, economists and bankers.

The reason for such applause would seem natural enough. Since these measures work well in the market system, they are believed to be good for market-type reforms in the Soviet-type economies. However,

isolated bits and pieces fitted into a fundamentally unchanged Soviet-type economy cannot work. There is a phenomenon that this author calls “a touch of the socialist Midas”. Just as everything that the legendary king Midas touched turned into gold, so any promising market-like measure “touched” by the fundamentally unchanged system becomes perverted, loses most of its impact or turns into an ornament. It may generate Western goodwill (if skilfully advertised) but will not push the economy further toward the market type.

Below, the fundamentals which must be changed if reforms are to succeed are briefly explored, “a touch of the socialist Midas” is richly exemplified and the possible roles of market-like ornaments in the short-term strategy of the ruling stratum are considered. Implications for the success of economic reforms in Eastern Europe conclude the article.

Distribution of Wealth

This author has maintained elsewhere that analysis of the Soviet-type economy has centred excessively upon power distribution within the ruling stratum to the detriment of wealth distribution within it.³ This type of analysis is best applied within the increasingly popular institutional framework. Thus, the late Douglass North described the typical conflict in a society with a pre-representative type of government as a conflict between the efficient property rights structure designed to lower

¹ E. HANKISS in the February 1986 issue of *Valóság*, a Hungarian monthly.

² Cf. this author's assessment in *Are Soviet-Type Economies Entering an Era of Long-Term Decline?*, in: *Soviet Studies*, July 1986, No. 3.

³ Cf. J. WINIECKI *Soviet-Type Economies: Considerations for the Future*, in: *Soviet Studies*, October 1986, No. 4; and by the same author *Why Economic Reforms Fail in the Soviet System. A Property Rights-Based Approach*, Institute for International Economic Studies Seminar Paper, Stockholm 1987, mimeo.

* Institute of Labour Research.

transaction costs, i.e. those that facilitate an increase in wealth, and the property rights structure designed to maximize rent to the ruling stratum.⁴ Accordingly, political rulers tend to avoid offending powerful segments of the ruling stratum who benefit most from the inefficient property rights structure.

This approach suits ideally the analysis of Soviet-type states, where the inefficient property rights structure bringing substantial benefits to certain powerful segments of the ruling stratum is the main obstacle to successful market-type reforms. However, before the author delves more deeply into the relationship between the structure of property rights and the failure of reforms, the little explored issue of the modes of wealth distribution within the ruling stratum in the Soviet system should be outlined briefly.

Soviet-type dictatorships share with "typical" dictatorships the traditional mode of distributing wealth across the ruling stratum. The four main segments of the ruling stratum in the Soviet system – party apparatchiks, economic and public administration bureaucracy, police and military – appropriate for themselves a larger share of the wealth created than they would have obtained under a representative type of government. They may obtain higher or lower relative salaries than in "traditional" dictatorships, their "perks" may be relatively more important in a shortage-plagued economy, but the *mode* of wealth distribution is basically the same.

However, in the Soviet system there is also yet another mode of wealth distribution that maximizes the rent of, primarily, two segments of the ruling stratum: party apparatchiks and the economic bureaucracy. This mode – unknown elsewhere – enables these two powerful segments to draw benefits through protracted interference in wealth creation itself. Party apparatchiks and economic bureaucrats act as parasites on the economy in two ways.

Nomenklatura

The first parasite or, more formally, rent maximizing way is through *nomenklatura*, i.e. the right of the communist party apparatus – from central committee down to the factory level – to "recommend" and/or "approve" candidates to all managerial positions in the economic and public administration. These appointments have always been made on the basis of loyalty to those appointing them rather than on the basis

of competence. Consequently, bureaucrats and apparatchiks have usually appointed themselves and their card-carrying cronies to these well-paid jobs.

The selection process based on *nomenklatura* is tantamount to protracted interference in the wealth creation process, adverse for at least two reasons. Firstly, it limits severely the pool of talents from which managers are appointed by-and-large to communist party members and, secondly, it draws them from the pool of, on the average, inferior talents (given the well-known negative selection under totalitarianism).

Moreover, the *nomenklatura* itself, as a selection based on loyalty rather than competence, exerts an extremely harmful influence upon the performance of each enterprise and the economy as a whole. Since loyalty in economic management is equated with fulfilling any target, planned or unplanned, deemed to be important for the current campaign, it teaches managers – and would-be managers alike – the inferior value of the bottom-line results for the manager's position. Excessive and shifting concentration on consecutive partial targets (increasing energy, reducing labour input, etc.) adversely affects overall performance.

Nonetheless, a manager's performance is rated good if he fulfils (or even pretends to fulfil⁵) whatever his superiors in the economic bureaucracy and the party apparatus deem important at a given moment. If his loyal actions result in losses for the enterprise it is up to them to compensate the enterprise – meaning: managers and workers – one way or another. This is how the "soft" budget constraint of Eastern enterprises, so well described by the well-known Hungarian economist Janos Kornas,⁶ has been created. Whether by traditional central planning or by "modern", market-type measures, "soft" budget constraint maintains the disequilibrated economy where the demands of enterprises remain unconstrained and, as such, insatiable. We shall return below to this important subject.

Flow of Goods and Services

Now, the second parasitic/rent-maximizing way of extracting benefits is through the return flow of – primarily industrial – goods and of services from enterprises to those in the multilevel economic bureaucracy and party apparatus upon whose favours the managers' position depends. More often than not this flow includes goods in short supply which enjoy

⁴ Cf., for example, D. C. North: A Framework for Analyzing the State in Economic History, in: Explorations in Economic History, Vol. 31, March 1979.

⁵ Cf., first of all, J. Kornai: Resource-Constrained Versus Demand-Constrained Systems, in: *Econometrica*, July 1979; and by the same author: *Economics of Shortage*, Amsterdam 1980.

⁶ Cf., for example, J. Winiecki: The Distorted Macroeconomics of Central Planning, in: *Banca Nazionale del Lavoro Quarterly Review*, 1986, No. 157.

higher black market prices. But goods for those “more equal” (as the population calls them) are sold not only at the list price, but often at a discount price, using the excuse of inferior quality. Actually, goods of inferior quality reach the market *en masse* but those sent to favoured members of the ruling stratum are carefully selected! Services include e.g. delegating workers from auxiliary divisions of a factory to build a country house for free or at a reduced price, the design, manufacture and installation of one-off furniture, etc. A myriad of goods and services may be sought after in a shortage economy at one time or another.

When another Hungarian economist, Tamas Bauer, writes that in traditional planned economies “the distribution of higher quality goods is accomplished either through restricted shops (i.e. shops with access restricted to the ruling stratum or its upper levels) or through corruption”⁷ he actually points at both official corruption, that is “perks” in the form of access to restricted shops, and “unofficial” corruption, that is the return flow of goods and services described above.

It should be noted that the protracted interference in wealth creation, with all its adverse effects for increases in wealth, is made possible in the Soviet-type economies by the muddled property rights structure. Since the “means of production” are – in words but not in fact – socialized, since workers are the “hegemonic class” in a socialist society, and since a communist party is “the leading force of the working class”, any appointment through the *nomenklatura* procedure can be justified in terms of communist ideology.

Now, since *nomenklatura* is first of all a communist apparatus’ instrument, the flow of appointments to well-paid managerial jobs is predominantly from the party apparatus. Also, appointments come from the multilevel economic bureaucracy. These two segments of the ruling stratum participate together in the spoils of *nomenklatura* and the associated return flow of goods and services (i.e. “unofficial” corruption) to a very great extent. *Nomenklatura* appointments from the police and military are rare outside their respective hierarchies.

The non-traditional ways of parasiting upon the economy not only create a system-specific mode of wealth distribution across the ruling stratum. They also sharply differentiate between those segments of the ruling stratum that draw benefits primarily through the mode of wealth distribution that is traditional for all dictatorships (the police and the military) and those that draw them through both the traditional and the

untraditional way (the party apparatchiks and economic bureaucrats). This differentiation is of utmost importance for the prospects of economic reforms in Soviet-type states.

All segments of the ruling stratum prefer dictatorship to a democratic alternative because the former brings them higher benefits through the traditional mode of wealth distribution typical for dictatorships. However, only two of them, i.e. party apparatchiks and economic bureaucrats, have additional strong incentives also to maintain the particular Soviet-type *economic* system. Without cutting the *nomenklatura* linkage between the political and economic systems it is impossible to introduce a market-type economy, since those with the highest stake in the economic status quo turn any attempted reform into a failure.

A Touch of the Socialist Midas

The author has already used the term “a touch of socialist Midas” above to describe the impact of unchanged fundamentals upon market-type measures introduced into the Soviet-type economy during numerous attempted reforms. No other term seems precise enough to reflect the process through which the gold promised by market-type measures turns into the trash of wasted efforts, or through which something that works efficiently in a normal environment brings about perverse or at best negligible effects in Soviet-type economies.

The socialist Midas, i.e. Midas in reverse, is able to affect the process of economic reforms or – more precisely – to ensure the failure of these reforms for two general reasons. The first is that it is precisely those two segments of the ruling stratum with the strongest incentives to maintain the economic status quo that are entrusted with designing, introducing and managing the reforms. Consequently, they are able to design reforms in such a way as to ensure their internal inconsistency, which later allows party apparatchiks and economic bureaucrats either to return to old central planning-type commands and control or to fill new market-type measures with old central planning-type content.

The second reason is that the loyalty-based *nomenklatura* has been able to pervert market-type measures in practice without the necessity of redesigning given reforms. Since nominations, appraisals and demotions depend primarily upon loyalty, managers’ performance becomes an amalgam of actions undertaken for the sake of satisfying the particular wishes of their superiors and of those aimed at improving bottom-line results. The unholy mix mostly

⁷ The Second Economic Reform and Ownership Relations, in: Eastern European Economics, Vol. 22, 1984, Nos. 3-4, p. 53.

results in gross distortions of efficiency especially as the former generally take precedence over the latter.

In the following we refer mostly to the Hungarian and Polish reforms as these are deemed to be the farthest-reaching in Eastern Europe. The former especially have enjoyed an almost continuously good press in the West in the 1980's. But the realities have been much less positive and even Hungarian reforms are not very far from being a failure. (Their success is limited to being the least of the failures among reforms in Soviet economies.)

We begin with the Polish reforms of 1982, where commands as to plan targets were abolished but the rationing of inputs was to a large extent maintained by the economic bureaucracy above the enterprise level. Given the loyalty-based *nomenklatura* system, managers now follow "suggestions" rather than commands by their superiors. They know that if they do not follow these "suggestions" they will not obtain scarce inputs rationed by the economic bureaucracy, will not achieve the desired results and will be punished financially (will not receive bonuses from their superiors) and may even be demoted, ostensibly for not reaching allegedly autonomously established performance targets. Thus, caught in the dilemma of whether to follow "suggestions" or pursue other options more rewarding in terms of the bottom-line results, they usually follow "suggestions" first and ask for subsidies afterwards. Old central planning wine is poured into new market-type bottles.

Another typical defensive action by economic bureaucrats and party apparatchiks is to shift to (some) market-type measures but retain the central planning

institutional framework. While the ruler, or the ruling group, does not need the institutional framework for his rule, those upon whom he depends to a large extent in maintaining that rule draw considerable benefits from the existence of such arrangements in terms of well-paid *nomenklatura*-covered jobs in all those industrial ministries, unions, enterprises and/or trusts and the associated return flow of goods and services from enterprise managers.

Accordingly, both Hungarian 1968 and Polish 1982 reforms reduced to a greater or lesser extent the arsenal of typical central planning-type command, rationing and control measures but retained the multilevel economic bureaucracy – with predictable results.

Retained bureaucracies had to find roles for themselves and, beside "suggestions", flooded enterprises with the myriad of "orientating" and "auxiliary" targets, guiding principles and some specific goal-oriented campaigns that all had – in practice – binding character for enterprise managers due to their superiors' right to evaluate, reward and demote. As these (formally non-binding) indicators were internally inconsistent, they gave rise to bargaining between bureaucrats and managers for the level of and priority among the allegedly autonomously established performance targets, giving the former yet another measure of control over the latter.⁸ Under the circumstances, a touch of the socialist Midas transformed the otherwise efficient contractual (i.e. horizontal) relations between enterprises into a near

⁸ See the excellent description of the said relationship in T. Laky: The Hidden Mechanisms of Recentralization in Hungary, in: Acta Oeconomica, Vol. 24, 1980, Nos. 1-2, p. 106.

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empty shell behind which old style subordinate-superior (i.e. vertical) relations have been by and large maintained. It does not need to be added that the old inefficiency of "suggested" and bargained-for targets has also been maintained.

Hungarian Reforms

Little was changed in this respect in Hungary in the second phase of reforms that began in 1980 and included the dismantling of the multilevel economic bureaucracy, for two reasons. Firstly, the remaining Ministry of Industry transformed itself along old industry lines, with each department, division or group overseeing one particular industry. Thus, the old vertical relationship was retained to a considerable extent, with all its associated efficiency-reducing "suggestions", orientating targets, guiding principles and bargaining. Secondly, allegedly autonomously established performance targets are concocted with the active help of bureaucrats from various ministries and party apparatchiks both directly through their "voluntary" participation in the preparation of the "autonomous" plans of enterprises and indirectly through the continuous stream of "suggestions", orientations and priorities sent by phone, telex, and letter that narrowly circumscribe enterprises' search for better (profit-measured) performance.⁹ The Midas in reverse continues, then, to transform the gold of managerial initiative into the trash of indirectly enforced, and as such inefficient, options.

The socialist Midas has also been at work perverting the practice of all more or less unreformed Soviet-type economies. Everybody knows that the persistent excess demand of enterprises in all Soviet-type economies is caused first of all by their "soft" budget constraint. They display insatiable demand since incentives for enterprises are positively correlated to the volume and/or value of output but are not negatively correlated to the cost of inputs (factors of production and material inputs). Since their superiors put more stress on targets of particular importance at a given moment, they are willing to cover the cost overruns or outright financial losses through a variety of subsidies.

Intermediate causes of such basically accommodative behaviour by the higher levels of the economic bureaucracy have been well described in the literature.¹⁰ But the root causes have been barely broached and these are twofold. The first is the already analyzed loyalty-based *nomenklatura*. The stress on loyalty,

understood as the execution of particular commands, "suggestions", etc. that are of primary importance at a given moment (or at least apparently favourable reports on their execution), usually adversely affects bottom-line results.

Thus, to increase the probability of compliance economic bureaucrats and party apparatchiks have to give tacit or open assurance that managers will not be left in the lurch and – if things go wrong – they will be helped one way or another. "You follow our whims and wishes and we shall help you if something goes wrong with respect to bottom-line results" is the unwritten rule. A *de facto* reciprocity in loyalty is established this way. Besides, since almost all *nomenklatura* appointments are "in the family", a today's higher level bureaucrat or apparatchik may be appointed tomorrow to a very well paid managerial job and then may in turn need a subsidy for "his" enterprise. Reciprocity in loyalty is, consequently, reinforced, just as it is reinforced by the return flow of goods and services from enterprises to bureaucrats and apparatchiks.

Indicators of Success

The second root cause is the type of the indicators of success deemed to be important by the ruler or the ruling group, their great number and the shifting of priorities over time. The rejection of the universal yardstick, i.e. money, puts Soviet-type economic policy not so much in the category of early Keynesian accommodating economic policy but in the category of pre-Phoenician economic policy. Thus, various indicators are applied in increasing numbers as national economies become more and more complex. Also, besides the universally worshipped industrial production indicator, the priority changes constantly as decision-makers react to different signals of shortage in a persistently disequibrated economy. With priorities shifting, often within a year, from, say, decreasing steel use, to increasing output of intermediate inputs, to saving energy, to increasing exports to convertible currency areas and what not, bottom-line results become a low priority indicator and are bound to suffer. Various subsidies flow to enterprises to support the implementation of "priority" targets and "soft" budget constraint reigns supreme. The bigger the enterprise, the softer the constraint.

Bankruptcy under the circumstances continues to be a very distant threat. In Hungary the same enterprises were on the list of the biggest losers before the start of the 1968 reforms in Hungary and after the second phase

⁹ Cf. inter alia K. A. Soos: Planification impérative, régulation financière, "grandes orientations" et campagnes, in: Revue d'études comparatives Est-Ouest, Vol. 16, 1985, No. 2.

¹⁰ Cf. in particular Kornai's works referred to in note 5 above.

of reforms in the early 1980's.¹¹ In the opinion of this writer nothing is going to change in the future either, without changes in the fundamentals described above. Laws on bankruptcy, so well-received in the West, that were introduced in 1986 in Poland and Hungary are going to remain toothless in the face of a touch of the socialist Midas. After having passed the bankruptcy law, Hungarian authorities wrote off outstanding debts of metallurgical enterprises to the tune of 22 billion forints, i.e. a sum equal to about two years' output of that industry!

No surprise, then, that some Hungarian economists began distinguishing between real reforms and those that change the means of control but not the extent of control.¹² They also, like the already quoted Tamas Bauer,¹³ point to the need for political reforms that would leave managers their sphere of authority, i.e. they hint at the need to solve the problems created by *nomenklatura*.

Real Reforms?

The question may arise as to how important, if at all, various new market-type measures are, both those already introduced and those envisaged, if the Midas in reverse always stands ready to turn gold into trash with a touch of his hand. Are they really bits and pieces of the emerging market-type economy? Very often they are regarded as such in the West. The reasoning behind such an assessment is simple. Since they work well in the West, they should also improve the performance of reforming economies in the East. But do they? Given the political-economic interface of a very special kind – here figuratively called “a touch of the socialist Midas” – the results are not encouraging, to say the least.

This being so, a couple of provocative questions are in order. Are the ruling groups and strata in the Soviet-type states ready to introduce real market-type reforms? If they are not, have they any shorter-term gains in mind that could be realized through proceeding with market-type measures that change little of substance? And, finally, what preconditions would be needed for real market-type reforms to begin?

The answer to the first question is the simplest. They are not. Nowhere are there signs that the ruling stratum is ready to relinquish the benefits stemming from

parasiting upon the economic system. On the contrary, in Poland for example the number of *nomenklatura*-covered jobs increased under the Jaruzelski regime from 100 to 250 thousand. In the Soviet Union editors of a leading daily were sharply reprimanded just for having published a letter from a reader inquiring about shops with restricted access and how they fit into the much-lauded openness of the present era.

The above is not intended to mean that the ruling groups are not ready to do *something*. After all, even with the doctored information they get, they see multiplying signs of decay. The typical conflicts described by North¹⁴ between the competitive constraint that deters the ruling group from changing the inefficient property rights structure, which favours powerful segments of the ruling stratum, and the transaction cost constraint, where the inefficient property rights structure results in decreasing wealth and may generate internal dissatisfaction and unrest is very real in Soviet-type economies. Finding itself between the devil and the deep blue sea, here and there a ruling group undertakes various half-measures – or even quarter-measures! – in the hope that, in spite of unchanged fundamentals, these will somehow reverse the continuing decay. The fact that the Hungarian ruling group has been ready to go further than any other ruling group in Eastern Europe is irrelevant for the general analysis.¹⁵

Scales of Bonds

But the reversal is not going to occur even if measures are unquestionably of the market-type variety. Let us point to a few of the most recent examples. Much has been written in Poland and Hungary about the lack of a financial market. Consequently, some market-type instruments were introduced by the authorities, with approving nods in the West. However, not unexpectedly, the socialist Midas touched these measures as well. Take, for example, obligations, which were introduced in Poland recently. Although potential bond-holders were restricted by law to enterprises and institutions, it is not this limitation that matters but the perverse effects of unchanged fundamentals upon the law in question. When, after a long period of inaction, one enterprise in the printing industry issued obligations it guaranteed their buyers priority in printing services! Thus, it is not the interest earned on bonds that mattered for bond-holders but the guarantee of services that – like most

¹¹ Cf. L. Csaba: New Features of the Hungarian Economic Mechanism in the Mid-Eighties, in: New Hungarian Quarterly, Vol. 24, 1983, No. 90.

¹² Cf., for example, T. Bauer: Reform Policy in the Complexity of Economic Policy, in: Acta Oeconomica, Vol. 34, 1985, Nos. 3-4; and I. Salgo: Ouverture, compétition et monétarisation du commerce extérieur, in: Revue d'études comparatives Est-Ouest, Vol. 17, 1986, No. 2.

¹³ Cf. T. Bauer: *ibid.*

¹⁴ Cf. D. C. North, *op. cit.*

¹⁵ This issue has been explained by the author in: J. Winiecki Soviet-Type Economies . . . , *op. cit.*

goods and services – are in short supply. With a touch of the socialist Midas a classical market-type measure redistributed shortage just like any central-planning type measure, without increasing the efficiency of the economy. In this respect it is worth keeping in mind that the bond-issuing enterprise will not be able to do much with the money generated by bonds, since under formal and/or informal rationing its ability to re-equip or set up new printing shops depends to a very large extent on factors other than money.

Hungarians went even further and made certain bonds saleable to individuals but they too were unable to avoid a touch of Midas in reverse. The Hungarian Post Office issued low-interest bonds saleable to individuals, who obtained the guarantee (whatever it is worth) of obtaining a telephone connection in 3 years rather than in the usual 5-10 years. Thus, again, not the interest to be earned on the bonds (set below the inflation rate) but access to services in short supply was the main motive of those buying bonds. This time shortages typical for central planning were redistributed among households. The same happened in the case of bonds saleable to individuals by the oil and natural gas trust.

Moreover, bonds sold to individuals are guaranteed by the state with respect to both interest and principal, which takes any risk off the bond-issuing enterprise. Thus, “soft” budget constraint reappears in new market-type guise. It need not be added that such a guarantee is not needed in the case of bonds bought by enterprises. Traditional “soft” budget constraint-related measures (various subsidies) are more than sufficient there.

Yet another measure in Hungary, also warmly welcomed in the West, is a promise to separate the central bank activities and the commercial bank activities of the national bank and, prospectively, to split it and create several commercial banks that would compete among themselves.¹⁶ But also in the case of this – undoubtedly market-type – change the promise carries with it the certainty of perverted effects. The presidents of those prospective commercial banks would also be appointed, evaluated, rewarded and demoted through *nomenklatura*. Accordingly they would, just like enterprise managers, be highly accommodating with respect to “suggestions”, guiding principles, etc., coming from economic bureaucrats and party apparatchiks with respect to commercial credit policies pursued by their banks.

¹⁶ The author does not regard four little banks that are in fact monopolies tied to either a specific industry or a specific ownership structure or specific activity as being such competitive commercial banks.

Indirect support for the expectations of certain failure comes from Yugoslavia, where unchanged political monopoly and the specific political-economic interface with respect to personnel policy resulted in precisely such failure. When the multilevel economic bureaucracy was dismantled in that country, bureaucracy and party apparatus found alternative (market-type!) channels of influence, i.e. banks whose appointed presidents were sensitive to pressure for credits coming from these directions. The Yugoslav crisis of the 1980's is, inter alia, the result of such “soft” credit constraint that showered the country with unviable “political” factories unable to sustain themselves, as well as with unfinished and often unfinishable investment projects.

Conclusions

This author is tempted to guess that those introducing such measures – if they are able to understand at all implications of such measures – do not themselves believe in their efficiency under unchanged fundamentals. Consequently, doing something that entails measures warmly applauded in the West is, rather, aimed at earning the goodwill of Western bankers and governments through the much-more-apparent-than-real marketization. Short-term gains resultant from such measures may consist of a flow of credits that helps the authorities to carry yesterday on somewhat longer. There is, however, a difference between Hungary and Poland in this respect. Hungarian authorities do their part with good grace and even better marketing skills, while Polish ones are unwilling and incompetent with respect to both reforms and advertizing quasi-marketization.

An answer to the question as to what preconditions would be needed for real market-type reforms to begin has already been given, explicitly through the posited requirement of detotalitarianization of the economy at the beginning of this article and implicitly through the long survey of cases showing the purposelessness of alternatives pursued without success by some Soviet-type states. The success of the latter alternatives is precluded by the political-economic interface typical for these states, whose perverse effects this author called “a touch of the socialist Midas”.

On the other hand, the above should not be construed to mean that there are no prospects for the success of the required detotalitarianization. This is, however, a different story – and the one already told by this author elsewhere.¹⁷

¹⁷ Cf. J. Winiecki: *Soviet-Type Economies...*, op. cit.