

Will aid from outside ever really be effective?

THE end of the Cold War has provoked yet another 'great debate': what, if anything should the West do about the Soviet Union? The tone and substance of the argument has been sharpened by Coalition victory in the Gulf War, during which President Bush gave vent to his vision of a new international order underpinned by the strength and renewed self-confidence of the United States. Thus the structure and process of this new order would be dominated by one power; it would — to use the arcane terminology of political science — be uni-polar in contrast to the bi-polar world of the Cold War.

Furthermore, the litany of conflicting responses to the Gulf War strengthened perception that the 'uni-polar moment'¹ was at hand; the European Community (Britain and France excepted) dithered; China was a passive spectator, the Japanese reluctantly paid their dues, while the Soviets were denied an independent role of any significance as their diplomatic efforts to defuse the crisis was brushed aside with contemptuous ease by Washington. Thus the American recovery from its post-Vietnam depression and the vigorous assertion of its super-power role confounded earlier prediction of a return to a multi-polar balance of power of the sort that existed in the 19th century with five great states jockeying for advantage over their rivals.

Clearly the temptation to capitalise on Soviet weakness at home and decline abroad is compelling for the United States. How best to sustain American superiority is a central preoccupation for policy makers: should the Soviet Union be left to its own devices — to free its economy and political system from decades of communist mismanagement or, alternatively, collapse under a burden of increasing popular expectations into a Balkan-style version of warring republics riven with ethnic tension and quarrelling over scarce resources? This extreme option of benign neglect is rarely, if ever, articulated in public, though many on the far right of American politics might well subscribe to it in private. (Even ex-President Nixon — as we shall see —

does not go quite this far.)

Yet even those sympathetic to Moscow's plight might well question how far external actors — with the best will in the world — can offer effective assistance to the Soviet Union, given the scale and magnitude of its difficulties. After all, the record of foreign aid in transforming third world states into mirror images of their Western counterparts is hardly encouraging. The success stories in this context are the so-called NICs (Newly Industrialising Countries)

United States. Why, therefore, encourage the emergence of another player in the 'great game' of international politics just when the dream of American hegemony is becoming a reality?

But this gloomy prognosis and its negative implications for Western policy towards the Soviet Union requires qualification on two counts:

First, and most obviously, an unaided process of change in the Soviet Union, whatever its final destination in terms of success or failure, may well in the interim

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where a combination of autocratic government, self help and a work culture of astonishing vigour has produced economic growth that is the envy of competitors. By contrast, the Soviet Union — despite a tradition of autocratic rule pre-dating the 1917 Revolution — has been wedded to a system profoundly hostile to the operation of market forces, and one in which the state via the mechanism of an all-powerful Communist Party and a clumsy and inefficient bureaucracy has denied individuals "the public space . . . in which citizens can organise themselves . . . a necessary condition for democratic politics".²

There is, too, a more extreme version of this scepticism about the utility of trying to reform the Soviet Union from the outside. Thus, for some conservatives the temptation to do so should be resisted, paradoxically, because it might produce results in the form of a revitalised Soviet Union, confident and capable enough to play a dynamic role in the international system.

Liberals, however, might welcome the prospect of doing business with a reformed Soviet Union, but their conservative opponents retort by arguing that this outcome would end any prospect of a uni-polar world dominated by the

produce right wing reaction and a government bent on an aggressive foreign policy, if only to provide a cover for internal weakness. After all, the military, disgruntled after Afghanistan and defence cuts, not to mention the KGB, is alive and well in Moscow, and joint repressive action on their part to prevent complete collapse, cannot be ruled out. Their leaders might well be mistaken about their chances of success, but they would not be unique in believing that their efforts could save the nation as the record of military adventurism in Latin America amply demonstrates. This outcome — however shortlived — would not be in Western interests, given that no one could sensibly welcome a return to the Cold War or worse still, a renewal of East-West antagonism lacking the restraints provided in the past by a common strategic ideology in the form of nuclear deterrence and a Russian leadership securely in control of its domestic base.

Second, a distinction should be made between external involvement in the task of democratising the Soviet Union and helping it overcome its economic problems. The first objective is probably beyond the capacity and competence of



The 'grand bargain' is a version of 'constructive engagement'

Western governments: there are very real limits to what can be done from the outside to promote the growth of democratic self-government in states with profoundly different political traditions. True, the West successfully transformed the defeated Axis powers in the second world war into model democracies, but the cost was immense, involving the military destruction of those states and their subsequent occupation and reconstruction by the Allied powers. New political structures were built on the ruins of the old, new political values emerged to provide the necessary legitimacy for their operation.

But this is not an easy option *vis a vis* the Soviet Union, any more than it was for Iraq following its defeat at the hands of the Coalition powers. And this lesson has been rammed home by the experience of nation-state building in the third world in the wake of decolonisation. There, (India being a notable exception), the best efforts of Western constitution makers often foundered on the false assumption that democratic institutions could be created in the absence of a civic culture which their own experience as Englishmen and Frenchmen should have taught was the product of long historical gestation.

To this extent liberal reformers and conservative sceptics share common ground in rejecting — for different reasons — a strategy designed to help the Soviet Union undertake major *political* reform. They part company, however, on the issue of assistance to rejuvenate the Soviet economy by encouraging the creation of free market institutions. The conservative is entirely consistent in taking this line: the successful restructuring of Soviet economic institutions would — it is argued — enable it to claw back the status and substance of a super power. This can only damage US aspirations to manipulate a post-Cold War international order to its own advantage. And if confronted with the argument that a Soviet Union in the throes of economic disintegration constituted a danger to the West, the conservative insists that any economic concessions should be firmly tied to clear evidence of Soviet willingness to restructure its economy according to the classical prin-

ciples of Western capitalism. The West, therefore, should not rush headlong into meeting Mr Gorbachev's current pleas for economic assistance. The negative sanction of no help until the Soviet leadership has taken irreversible steps towards the creation of a market economy should — according to this view — be the sole determinant of American policy. In other words, wait and see!

This is a bleak doctrine best exemplified in the public statements of ex-President Nixon. Thus, Gorbachev's vision "seeks the strengthening, not the destruction of the Soviet system . . . instead of promoting political and economic reforms, premature Western assistance would ease the mounting pressure on Mr Gorbachev to expand perestroika into a comprehensive dismantling of the Soviet system . . . since the Soviet Union reforms only when under pressure, a helping hand would hinder the cause of democracy . . . the West's key strategic interest does not lie in saving the Kremlin economically."³

Moreover, Nixon insists that the Soviet Union sign a "stabilising and verifiable strategic arms reduction treaty . . . cuts off aid to third world client states like Cuba and Afghanistan as the price of Western assistance." For him, "aiding the Soviet economy would simply enhance Moscow's ability to challenge Western interests."⁴ In other words, not only must the Soviet Union dismantle its communist system, it must also give up any aspiration to be a super power.

An alternative strategy is offered by a group of Harvard economists and political scientists. Working with their Soviet counterparts, they have devised a 'grand bargain' which, in effect, is a version of 'constructive engagement' involving a five year programme of economic aid (\$150 billion) to the Soviet Union in return for specific reforms: "Balancing the Soviet budget (in vast deficit), decontrolling prices, and privatising property" and evidence of "substantial cuts in state subsidies and in military expenditure".⁵ This scheme has the advantage of linking assistance to particular reforms in accordance with a specific timetable and period review of progress. There is the additional benefit that regular "quick economic fixes"⁶ would soften the in-

evitable dissatisfaction arising from the impact of inevitable price rises, forced unemployment, and disgruntled bureaucrats losing their privileged position as arbiters of economic policy to the impersonal forces of the market-place.

The Harvard group justify their 'bargain' on the grounds that fragmentation of the Soviet Union (the inevitable consequence — in their view — of a passive, negative Western response) would have profoundly damaging consequences: authoritarian reaction from the centre as the periphery revolted; floods of refugees into Eastern Europe and divisions within the western camp about how best to respond to the spectacle of a super power's disintegration. Domestic unrest in the Soviet Union would destabilise Eastern Europe and distract West European governments in particular from their traditional and pragmatic preoccupation with policies designed to create a viable political framework for peaceful and profitable intercourse between the member states of an emergent Pan-European Community.

The idea of a 'grand bargain' does, however, involve considerable risk. It assumes that a programme of rewards for acceptable progress in the Soviet Union can be manipulated with surgical precision; that the tap of financial assistance can be turned off at will without doing damage to those economic interests (banks, grain producers, industrial investors, for example) which the 'bargain' would encourage to do business with the Soviet Union. Furthermore, it assumes that what constitutes a positive outcome on a year by year basis will be universally recognised as such.

The contrast with the application of the Marshall Plan in 1947 to rejuvenate the war battered economies of Western Europe is instructive here: US aid on that occasion was designed to restore the confidence of peoples in their historically proven capacity to create wealth and devise the political institutions appropriate for that task. Moreover, Marshall aid — unlike that subsequently given to many third world countries — was not dispersed in a political vacuum. Liberal political and economic values had sur-



Contrast with the Marshall Plan

vived the horrors of Nazism and the ravages of war to underpin and give ideological direction to European recovery. None of these conditions — so critics of the 'grand bargain' argue — exists in the Soviet Union, and the absence, therefore, of a civic culture of individual freedom and clear demarcation between the reach of the state and the constitutionally-protected rights of the citizen sets limits to what can be done by external economic intervention.

Sooner or later the West will have to make a choice between the Nixon doctrine of progress by denial and doing what it can by engaging constructively with the Soviet Union in its efforts to reform a corrupt and hopelessly inefficient political economy. It is doubtful, however, whether President Bush will emulate his predecessor, Harry Truman, who acted so decisively over forty years ago in implementing the Marshall Plan. By contrast, Bush's cautious posture reveals an ambivalence which is hardly surprising for one matured on the comforting certitudes of the Cold War: "They've got horrendous problems there, but the reforms have got to be detailed a bit before blank cheques are written. And even then it would be difficult."⁷

Perhaps things will be clearer after the G7 meeting of the leading industrial countries to which Mr Gorbachev has been invited. Truman, in 1947, had at least one incentive which President Bush lacks in 1991: the re-generation of western Europe was essential if the Soviet Union was to be effectively contained behind the Iron Curtain.

Today, who or what is to be contained, and how, remains the abiding question. ●

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THE FUTURE IS DEAD — LONG LIVE THE PRESENT



CHARLES METH, of the department of Economics at the University of Natal, offers this toast to the continuation of the struggle to attain the goal of social democracy.

A NIGHTEENTH — or nineteenth-century aphorism which held that "... it is with our passions as with fire and water — they make good servants, but poor masters ..." was paraphrased by the late Joan Robinson, the eminent Cambridge economist, into the pithy claim that "... the market is a good servant but a poor master". Destroying the concept that rule by the market — Adam Smith's 'invisible hand' — will somehow maximise human welfare is an urgent political task. Unfortunately, many years will pass before the market is finally brought to heel.

It is not for nothing that economics is known as the dismal science — a measure of this is the frequency with which it is used to discipline optimists and utopians of all shades. During the 1960s and 70s it came to be believed by many that some of the more malevolent workings of capitalist market economies were within a whisker of being placed under humane control. The cumulative handicaps of the bottom two or three deciles of most populations — the group least able to compete and to protect itself against the market — result in the people concerned repeatedly being pole-axed by what is sometimes called the 'invisible foot'. The generally kind folk who subscribed to the view that large-scale state intervention was necessary to solve these (equity) problems have had their faces rubbed in the dirt of 'new realism'.

An unpleasant capitulation to the allegedly impersonal forces of the market (accorded the same status by conventional economists as gravity is by physicists) has been accompanied, wherever the forces of social democracy have been weakened, by the collapse of a tentative commitment to greater

economic justice. Spurred on by changes in the law that favour the rich, an ethic of nasty, grabbing individualism has gained social approval (or at least is not condemned as forthrightly as it used to be). The result is an unseemly scramble for wealth neatly captured by the terms 'yuppie' or 'loadsamoney'.

Arrogance and condescension, long the hallmark of the ruling classes, have been buttressed by a superficial reading of the work of resurgent libertarian economists, by philosophers anxious to defend the property 'rights' of those who already have too much, and of course, by the collapse, almost everywhere, of 'socialist' experiments. It is ironic that the demise of an authoritarian political system should contribute to a general increase in ignorance and suffering. Whatever the failings of liberals, radicals and other do-gooders, and they are many, the shared vision of a more co-operative world — one in which the misery caused by poverty and other glaring injustices could be softened, if not eliminated, remains infinitely more attractive than cold, impersonal rule by the market. But the social commitment implied by this vision has come under fierce attack.

Bourgeois democracy — a combination of political suffrage and the unfettered right to peddle one's talents and indulge one's tastes, whatever they may be, and in whatever market one chooses — is now declared the end of history. No imaginable form of social organisation, it is asserted, can possibly improve upon it.

The point of this article is to say that this is not so — that the social democratic

