

# THE BUREAUCRACY VS. ITSELF: AN INTERVIEW WITH JOHN KENNETH GALBRAITH

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*FORUM:* A lot of people are not only thinking about what is going on in the Soviet Union, but are wondering why we should care. Why is decentralization in the Soviet bureaucratic structure important to the United States?

*GALBRAITH:* The better we understand the Soviet Union, the more likely we are to get along with it. We can have civil discourse which I regard as important for peaceful relations. And a lesser point: we can discover how we can help each other, particularly in the new trade, cultural, and scientific exchanges, and in getting our arms expenditures under control. As we come to understand that there is a certain cooperation between our hardliners and their hardliners and a certain tendency of the military structures in both countries to flourish on tension, then we will understand the need in both countries for bringing down military expenditures.

*FORUM:* What exactly do you read in the Soviet Union? What, in a nutshell, is your vision of the current changes?

*GALBRAITH:* I am just fresh from a long discussion of these matters with Soviet economist Stanislov Menchikov. Menchikov outlines what he calls the revolutionary change in the Soviet Union. He refers to it indeed as the "second socialist revolution," the elements of which are finding some answer to the enormously repressive influence of the bureaucratic structure, and giving more scope for the individual enterprise and the collective state farm. Additionally, it seeks to free some people to work on their own, in service industries, in running a restaurant, and things of that sort. These are the things we are talking about.

*FORUM:* Does this "second socialist revolution" mean the Soviets are giving up on the Marxist interpretation of the course of history and socialist development? Do they have any inward direction in which to pursue these changes, or are they just adapting *ad hoc* by borrowing some elements from the West?

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*GALBRAITH:* It is the latter. *Perestroika* is not in accordance with any great overriding theory. Mr. Gorbachev, when he was in Washington a few months ago, was careful to say at a meeting a few of us attended that this was not a convergence of capitalism and socialism, but a series of pragmatic changes, some of which involve a greater role for the market, and all of which are intended to involve greater reward for greater effort.

*FORUM:* Do you think then that the communist regimes of the Eastern bloc and the Soviet Union are assuming a defensive posture? That is, realizing they are not catching up with the West in economic and technological development, these nations are borrowing some Western ideas and infusing them into their system. Do they have a clear vision of what they want to achieve?

*GALBRAITH:* I wouldn't attribute a clear vision to any government. That might be asking a bit too much. I believe they are trying to make short-run pragmatic adjustments. Perhaps their largest concern is reducing the size of the bureaucratic apparatus, reducing the role of the ministries, and giving much more productive authority to the producer on the farm. The Soviets have particularly emphasized this need. One slightly discouraging note is that it has been emphasized before. I was in the Soviet Union in the late fifties when decentralization was very much under discussion, as it was under Khrushchev, and in the early years under Brezhnev. It is not something that comes about easily.

*FORUM:* All of which brings up the Soviet plan to scale back the bureaucratic structure. We have seen in this century the ascendance of the largest state organizations known to man: Nazi Germany, Stalinist Russia, in another sense, the modern industrial state. You have studied these kinds of large organizations. Do you think that politicians from China, the Soviet Union, even Ronald Reagan and his campaign against big government, are starting to realize that the government monolith is a dinosaur? Or are they struggling futilely against the dynamic of the modern state that just gets bigger and bigger?

*GALBRAITH:* All great organizations, public or private, have a certain bureaucratic dynamic. They add people, seek power, and tend to measure wisdom by what is already being done. They also tend to measure intellectual quality by the people who are already there. The people in these organizations are always reluctant to relinquish authority; it is a reward in itself. This is true of the great bureaucracies of the Soviet Union; it is also true of the great industrial bureaucracies of the United States, as well as government bureaucracies such as the State Department or the Pentagon.

One larger consequence is a repetitive character to thought. A person who comes in with a new criticism of what is going on is regarded as inconvenient, out of order, and the next time a meeting is called he or she is not invited. This feature is not peculiar to the Soviet Union and not peculiar to govern-

ment. Ronald Reagan staged a great crusade against government bureaucracy, as to some extent did Jimmy Carter, but the United States has suffered much more from the bureaucratic ossification of the steel firms and the automobile companies than it has from that of government.

*FORUM:* You are talking about a bureaucratic impetus, but from an economic point of view, as in steel industries and automobile production, don't we need to scale back the monolith in order to survive?

*GALBRAITH:* I am recognizing the reality. Production moves to younger, more flexible bureaucracies: Japan, increasingly South Korea, Singapore, Taiwan, Hong Kong. They are at an earlier stage in this ossification process.

*FORUM:* And we can't go back?

*GALBRAITH:* I am not sure we can, no. I think we face here some of the same problems as the Soviet Union. Once you get a powerful bureaucratic process installed, it is very difficult to change it.

*FORUM:* Isn't there a fundamental difference between the bureaucracies of this century that you have mentioned, and the Soviet bureaucracies that are in charge of production? That is, if General Motors or a steel company becomes inefficient, it is subject to the market mechanism. It can go bankrupt. Doesn't the difference lie in that the United States is a consumer economy, a fact which makes capitalist firms responsive to productivity, to quality and to the competitiveness of their products?

*GALBRAITH:* I don't doubt that at all. I am saying that bureaucracy is a feature of all modern industrialism, and that the Soviet Union is a more extreme case than our situation. We must not see this [bureaucratic ossification] as a phenomenon confined to the Soviet Union. Again, look at General Motors.

*FORUM:* And yet, General Motors has entered a joint venture with Toyota, trying to import some of the Japanese management techniques, trying to rationalize production and increase productivity. How will the Soviet Union make its enterprises competitive in the marketplace if the Soviet government still owns the means of production?

*GALBRAITH:* This is a very real situation and very much in the realm of doubt. The bureaucracy which loves power, has privileges and security, will not want to give that up. This is the problem Mr. Gorbachev faces. A few months ago in Washington, he was quite candid in saying he was making his way between the conservatives on the one hand, who are very satisfied with the present situation, and what he called the adventurists on the other hand,

who want to go too fast. He faces a much more difficult problem in this regard than we do.

*FORUM:* Whom do you expect to prevail?

*GALBRAITH:* We shall have to wait and see. I have every hope that he does.

*FORUM:* There is a lot of argument as to whether *perestroika* will lead to any real economic pluralism. Let's assume for the moment that it will. Is there a dynamic that demands that economic pluralism will lead to a certain amount of political pluralism?

*GALBRAITH:* I am doubtful as to how pluralistic the Soviet economy will be. I have said earlier that they have made pragmatic concessions out of self-interest to the market, and a great effort at decentralization, giving more responsibility to the business enterprise, but I don't see this as a plural economy, partly socialist, partly capitalist, nor do many Soviet scholars.

*FORUM:* If there isn't economic pluralism, if there isn't the capability to have some of this decision-making authority devolve to local managers, what is the prospect for some of these reforms?

*GALBRAITH:* I think they can leave some decisions to local authority, but the basic principles of socialism, public ownership of productive property, will continue.

*FORUM:* What kind of criteria should we apply to expansion of trade with the Soviet Union? Should we loosen COCOM (Coordinating Committee Export Controls) restrictions on exports?

*GALBRAITH:* I do not think that trade with Soviet Union will become a big factor in the future. The socialist countries are not big trading entities. We will continue to sell wheat and corn, and buy some Soviet furs and caviar, and as I see now, a few tractors, but I don't think we are on the verge of any great explosion of trade. I would unhesitatingly offer the Soviet Union Most Favored Nation status. I don't think we make any progress on human rights with that sort of sanction. We would probably make more progress on human rights if we seemed to be generous in such matters. That has been the past experience. Give them Most Favored Nation status and abandon Jackson Vanik [the trade amendment tying most favored nation status to Soviet emigration].

*FORUM:* What about computers or copying machines? There is an argument that high technology is inherently destabilizing and decentralizing. A few Russians with copying machines could spread a lot of *samizdat*.

**GALBRAITH:** I would be very reluctant to hold back technology except in the extreme case of that associated with military development. There are two factors. First, technology spreads around the world with lightning speed. Second, when we have denied the Soviets some technology in peacetime with possible military applications, they have usually gotten it from a third country. All we did was deny ourselves some exports.

**FORUM:** Turning to the acceptance of these reforms within the Soviet Union, why should the workers take an interest in these reforms if what is demanded of them is that they increase their productivity, perhaps work for lower wages until such productivity is increased, pay higher prices for staples that are no longer subsidized, give up some privileges, even suffer unemployment, while they see a few individual entrepreneurs benefit from gaps that open up in the system? Why should the workers support Gorbachev?

**GALBRAITH:** People in the Soviet Union are asking whether the results of the reforms will come fast enough to give the masses of the Soviet people a sense that the reforms are worthwhile. This is a particularly serious question regarding factory workers. However, one of the bases of the reforms is to allow the individual enterprise to have more of the returns of its sales, and to distribute those returns to the workers. The industrial workers will then see the direct returns from greater productivity. The problem does remain: will the product of the reforms be sufficiently evident in a sufficiently short time?

**FORUM:** You cut your teeth as a price czar. Is that a fair assessment?

**GALBRAITH:** I was in charge of all prices with the exception of farm products in the United States during WWII [in the Office of Price Administration]. I feel that in terms of power, my life has been downhill ever since.

**FORUM:** The pricing system within the Soviet Union has received less attention than some of the other reforms. What kind of pricing is going to be necessary to facilitate the best allocation of resources under *perestroika*?

**GALBRAITH:** The Soviets are going to be very reluctant to go to a flexible price system. But we will have to wait and see; they are making some adjustments. They have recently raised the price of bread for the first time since 1947. They are also giving more liberty to people with private plots in agriculture, and to people in service industries to set their own prices and wages. But I would not sense that this is going to be a major change.

**FORUM:** A question about the value of money: A visitor to the Soviet Union often discovers that having a lot of rubles doesn't necessarily give one the access to the things he might want. The Russians call it *blat* — influence, the resources one can command or trade. How will *blat* be affected by reforms

geared toward giving a Soviet a few more rubles? Will a few more rubles be much of an incentive?

*GALBRAITH*: One of the weaknesses of the Soviet economy has been the tendency for income and purchasing power to outrun the supply of goods at fixed prices. The obvious manifestation of that has been the big lines at the shops in a country where inflation manifests itself not in higher prices but in longer queues. The problem is one of keeping aggregate income down in relation to the supply of goods. There will always be individual shortages in that system, but there should be no general excess of purchasing power. This is a political problem of great difficulty, because all reforms involving the evening up of wages, the rewarding of productivity, the payment of people to do less agreeable jobs, involve an increase in income payments. You rarely eliminate wage disparities by lowering someone's wage. So, there is no doubt that the tendency in the Soviet economy for the people to have more money than there are opportunities to spend it is a significant feature. I am not sure that it is one which the Gorbachev reforms are going to deal with.

*FORUM*: Are there implications in Soviet reforms for joint ventures with Western companies? The Soviets have said that Western firms will be able to negotiate directly with Soviet firms. Traditionally, little has come of joint ventures with the Soviets. Will that change now?

*GALBRAITH*: I don't think there is any dramatic development there. This [joint ventures] will be in the area of McDonald's.

*FORUM*: Last, a chance to look into your silver ball. To the extent that you see *perestroika* and *glasnost* having an external effect, is the result going to be one of increased introspection and restraint followed by renewed assertiveness? And if so, will the new assertiveness be one of Russian nationalism or will it be more ideological? In sum, will a reformed Russia be a country the United States can work with?

*GALBRAITH*: *Perestroika* and *glasnost* are very good news. [They mark] a break with the inward-looking, angry, fearful tendencies of the past. The Soviet government is much more open-minded. [The reforms afford] more liberal opportunities for intellectual life, the press, the arts, and possibly emigration. All of this is very much to be desired. And I hope it brings economic improvement because we have nothing to fear from that. We have everything to gain from the Soviets being contented and approving of themselves.