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theologian, or economist is to provide a theoretical explanation for the working of economic institutions or to make successful theory-based proposals for economic reform, such theoretical formulations must engage and evoke a positive response in the practical decisions of virtuous people. Theologians can propose theories. Virtuous, practical persons verify them. Or as Karl Marx made the point in his refutation of Hegel's idealism, "theory is fulfilled . . . only as it fulfills the needs of the people. It is not enough for thought to realize itself; reality must strive toward thought" (quoted in C.J. Arthur, *The German Ideology*, p. 13). Thus, the reason that proposals for "reconstructing the social order" all came to naught was that such "theories" were not matched by the facts of human nature and therefore could not evoke the tendency for "reality"—the actual development of institutions—"to strive toward thought."

But as Novak argues in this provoca-

tive book, the Catholic Church has finally learned something about Liberal institutions. The newly formulated version of Catholic social thought may have (so recent events suggest) succeeded where old attempts failed—in finding a solid base in psychological reality, in the moral sense of virtuous people as they go about the work of developing viable social institutions.

Recent events at the Berlin Wall, in Eastern Europe, in Russia as she gropes toward perestroika indicate that a new spirit is abroad in the world. That new and powerful moral force, Novak's work indicates, can now be identified. It is, indeed, "the spirit of democratic capitalism." Though stubbornly resisted for over two centuries, such a spirit has finally come to receive support from the "quiet respect for liberal institutions . . . slowly developing within the body of Catholic social thought" (p. 57). ■

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Gorbachev's Economic Dilemma: An Insider's View

The designation of Mikhail Gorbachev as *Time's* "Man of the Decade" brings to mind the stunning era of change that we have been witnessing in the Soviet Union under his leadership. So much has changed so quickly that it is a continuing challenge to comprehend, let alone respond to, these developments. It is a remarkable time, yet it is not clear what economic transformations can and will be made in the Soviet Union.

The Soviets are on a fast track into the modern world. *Glasnost* and *demokratizatsiia* offer the promise of moving from a party fiefdom, a bureaucratic dictatorship, to a participatory society in which the citizenry exercises a significant degree of direction and constraint with regard to the affairs of the country. The

climate in the Soviet Union today is much less fear-ridden and overtly oppressive than it was a few years ago. But will this welcomed openness bring lasting change?

The answer to that question depends in part on what happens politically. Of particular significance will be the Soviets' response to the nationalities issue. Peoples and republics which are not, in their own minds, freely and voluntarily part of the Soviet Union, are putting openness to the test. I will not venture to predict how events will unfold, but even if these pressing political issues are resolved in a desirable manner, there remains the fundamental difficulty of transforming the economic structure of the Soviet Union.

There are reasons not to be very hopeful with regard to the capacity of the Soviet economy to change, and *Gorbachev's Economic Dilemma* makes these reasons clear. Of the many recent books on *perestroika*, Ioffe's fills an important role in that it offers a skeptical view by an author with the experience of working within the Soviet system. Other books are better written and offer richer economic analysis (e.g., Padma Desai, *Perestroika in Perspective: The Design and Dilemmas of Soviet Reform*, Princeton, New Jersey: Princeton University Press, 1989). And other titles from Soviets offer a keener sense of what the current leadership is trying to do (e.g., Abel Aganbegyan, *The Economic Challenge of Perestroika*, Bloomington, Indiana: Indiana University Press, 1988 and Mikhail Gorbachev's own *Perestroika: New Thinking for Our Country and the World*, New York: Harper & Row, 1987). Ioffe usefully rounds out the picture offered by other authors. He writes from the perspective of one who has lived and worked in the Soviet Union; his experience leads him to hold substantial reservations about the Soviet Union's capacity to effect rapid and comprehensive change.

As is quite appropriate when studying the Soviet Union, Ioffe's work is one in political economy rather than a form of

economic analysis that would draw a technical portrait of the structure and functioning of the Soviet economy apart and separate from an analysis of the nature and distribution of political power. The cornerstone of Ioffe's portrayal of the Soviet dilemma is his observation that "The Soviet system consists of two essential ingredients: unlimited political power of the ruling elite and economic monopoly by the same elite as the source of its unlimited power" (p. 4). The connections between political power and economic monopoly are at the heart of Ioffe's analysis.

The book begins with an introduction, "Understanding What Is Really Happening in the Soviet Union," which can usefully stand on its own as a supplementary reading assignment in the Principles of Economics course or any other course in which one wants to get a glimpse of the Soviet economy's capacity for change. Included in this introductory essay is a helpful historical portrayal of cycles of centralism and decentralism which suggests that what we are now seeing may very well be a swing toward decentralism within the context of the established and continuing system rather than a fundamental transformation from a planned economy to a market-oriented economy.

Four major chapters deal respectively with the state economy, the cooperative economy (something akin to a small business sector), the individual economy, and agriculture. Ioffe's orientation as a lawyer causes the book to lean heavily toward discussion of the design and implementation of laws directing Soviet economic activity. At times the legal detail seems tedious, yet it provides a feel for the institutional context. In contrast to Western authors who translate Soviet structure and performance into familiar economic concepts and indicators, Ioffe's work does not call for this and thus does not lose important meanings in the translation. Although the text is awkward at points, a feel for the political economy of the Soviet

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Union comes through more accurately than in other books.

Ioffe's purpose is not to measure economic performance or to compare the Soviet Union's economic performance to other countries but to assess its potential for achieving radical economic transformation. His institutional detail is invaluable for this purpose. However, the resulting picture is not very hopeful. One is left with a sense that those holding power—a bureaucratic elite of thousands—are not as likely to let go of their monopolies as easily and as rapidly as would seem desirable to most of us.

Even if Mikhail Gorbachev were ready to take the bold actions needed to truly restructure the economy, he cannot act alone. His dilemma is that many who need to act have little incentive to engineer radical reforms that would undermine their own positions. The Soviet economy today functions in much the same way as it did when Gorbachev came to power, and Ioffe tells us that we should not be surprised if it continues to do so.

From a Christian perspective, it would be a profound disappointment if *perestroika* failed to take hold. A centralized society can at times provide the economic safety net needed to insure that basic needs are met and thus that higher needs can be addressed; but there is little reason to argue that this is the fundamental issue in today's Soviet Union. I would place greater emphasis on the need to create the economic openness that should follow from the Soviet Union's newfound political openness.

To end the misery associated with the Soviet way of organizing production and distribution has significance which goes beyond an increased standard of living. Economic prosperity amidst spiritual emptiness will bring little improvement, but a free and productive economy that gives a whole society the capacity to become more fully open to the life that God has for it would be an event of

historical proportions.

Ioffe portrays one kind of challenge, but an even greater challenge for people of faith in Soviet society will be to help structure a free economy while at the same time avoiding the excesses of materialism. Those who have struggled to maintain their faith under oppression and adversity may very well inspire us with their capacity to sort the chaff from the wheat in the social order. Their prophetic insights will be needed not only to achieve economic reform but also to have that reform come to a meaningful end. ■