

RUSSIAN CONGRESS MUST CHOOSE BETWEEN PROGRESS AND RETREAT

The Russian Federation is at a political and economic crossroads. Its economy is in shambles and suffering from near hyperinflation. As the Congress of People's Deputies convenes this week in Moscow, Russian President Boris Yeltsin must assess what is wrong with his economic reform program and what must be done to create economic growth and political stability.

The Congress should become a forum for Russia's leadership to decide the future course of economic reform. Indeed, rather than simply pointing fingers and assigning blame for the country's severe economic woes, Russia's congressional deputies should embrace reforms that will help ordinary citizens and move Russia beyond its post-socialist abyss to free market prosperity.

Conflicting Ideas. Russian policy makers have conflicting ideas about which course to follow. Valid and persuasive arguments have been made by thoughtful leaders of all political factions. But all parties, regardless of their differences, must agree on one point: The goal of the government's economic reform program must be to promote new private-sector entrepreneurial activity, for therein lies the future well-being of Russia. Indeed, without new private-sector growth and development, all other reforms will be ineffective.

Attempts to cut back on state credits for Russia's industrial sector, for example, have run into intense political opposition because workers fear that there are no job opportunities in the private sector. To keep these workers on the job, factory managers demand new credits from the state to stay afloat. Monetary reform, therefore, has not been achieved. Similarly, privatization of large, state-owned enterprises has encountered stiff resistance, in part because citizens fear that the private sector will not provide for their well-being.

The Russian people have a right to be disappointed with the slow pace of reform. There are now too few opportunities for them in the private sector. Efforts need to be made, therefore, to spur new entrepreneurial activity. Fortunately, there are a number of measures that the Congress can take to accelerate progress on economic reform. The Congress should:

- ◆ **Declare that all Russian citizens have a constitutional right to private land ownership.** Some small privately run farms exist in Russia, and they have proved to be far more productive than collectivized or state-owned farms. Peasant garden plots, covering about 3 percent of the arable land, account for an estimated 30 percent of Russia's agricultural production. Only a small percentage of farmers have exercised their right to withdraw from state collective farms and start their own private enterprises. The main reason: They have no clear right of land ownership.

The Supreme Soviet of Russia took measures on November 20 to correct this problem by awarding legal protection of private property rights to peasants and city dwellers who farm small garden plots. The Supreme Soviet also overturned its ban prohibiting the sale of land until ten years after its acquisition. Al-

though important steps forward, these measure do not go far enough since they apply only to holders of standard-size plots of roughly 600 square meters.

The Congress should heed the will of the people. Nearly two million Russian citizens have signed a petition calling for a referendum on private land ownership. Declaration of such a right by the Congress of People's Deputies would be a politically popular move that would encourage more private-sector farming, which, in turn, would boost Russian agricultural production.

- ◆ **Eliminate price controls on domestic energy products.** Energy exports account for the single largest source of Russian hard currency earnings and government revenue. Yet price controls on energy products have caused a 30 percent decline in production since 1987. Their elimination thus would go a long way toward promoting Russian exports and encouraging the development of new private-sector business activity. By allowing for more market-oriented prices on oil alone, the fledgling Russian private sector would gain at least \$8 billion next year and at least \$25 billion annually over the next five years, according to a World Bank study.
- ◆ **Require local and regional governments to privatize immediately all small-scale enterprises (those with fewer than 200 employees).** Successful privatization of small shops, restaurants, and retail outlets would lay the political, economic, and administrative foundation for the larger and more difficult privatization efforts that lie ahead. It also would free scarce economic resources for new private-sector development. Moreover, it would accelerate the development of an entrepreneurial middle class in Russia that, because it has a vested interest in economic reform, would act politically to promote the reform process.

Fortunately, small-scale privatization can be done quickly, with minimal effort, and with great political and economic gain for public officials. Indeed, it has already been completed in Poland and Czechoslovakia and is now well underway in a number of Russian cities and regions, most notably Nizhny Novgorod. Bureaucratic inertia, however, has stymied privatization in most of Russia. A well-administered and well-executed decree requiring Russian local and regional governments to privatize immediately all small-scale enterprises (those with fewer than 200 employees) would alleviate this problem and push small-scale privatization forward.

- ◆ **Extend the President's emergency decree power by one year.** More than 90 percent of the reforms thus far adopted in Russia have been enacted through executive decree. Russia cannot afford to have its economic future and well-being sacrificed on the altar of petty political feuding and expediency. As the experience of the past year shows, only a strong executive authority committed to economic reform can cut through the thick bureaucratic morass that has grown up from the communist era. To ensure that reform does not become hostage to political expediency, the President must be given emergency decree power for one additional year.

Russia has made tremendous strides forward this past year. Still, there is much that needs to be done. The Congress of People's Deputies can either use its historic meeting to lament Russia's economic difficulties, point fingers, assign blame, and subjugate reform to political shackles. Or it can help to push the reform process forward. It should choose progress and adopt measures to protect and promote new private-sector entrepreneurial activity. This is where Russia's future well-being lies.

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