

AT THE HARRIMAN INSTITUTE

Volume 3, Number 8

Tanks to Refrigerators?

The conversion from military to consumer production is an important goal of Soviet reformers, and is an increasingly complex and important issue in the USSR. John Tedstrom told an audience at the Harriman Institute that Soviet thinking on the issue "has become more sophisticated in the last twenty-four to thirty-six months." Tedstrom, a researcher at Radio Liberty in Munich, spoke November 17, 1989. He focused on the development of the concept of conversion and discussed ways in which current political dynamics affect the program.

Already in the late 1970s many Soviet thinkers were saying that the military sector was draining the economy, thus threatening the future world position of the Soviet Union. Especially damning was that "the Soviet economy was not serving as a useful model for the other socialist economies." Allies such as Cuba and the Eastern European countries were, in fact, posing an increasing financial burden on the USSR. In the fall of 1982, Leonid Brezhnev met with senior military leaders and told them they could no longer expect unlimited resources. "Unfortunately for Brezhnev, he died two weeks later," Tedstrom said, adding, "but still, as early as that date, the issue was becoming so obvious and so important that top Soviet leaders were talking in concrete terms about it." When Mikhail Gorbachev consolidated power in late 1986, the leadership reasserted itself.

Types of Conversion

Tedstrom pointed out that early efforts at conversion did not center on transferring resources from military to civilian control. "At that time, the program of conversion meant increasing state orders for civilian goods produced in the military sector. There were, and there are now, nine ministries within the military-industrial complex, and in addition to making SS-20 rockets they make 95% of the televisions and VCRs, almost all of the watches, a large share of the refrigerators, and other goods." This is done because "the military sector is supposed to be much more efficient, and the quality control is supposed to be much better."

Conversion is important to the Soviets today for several reasons. There are clear economic and social benefits to improving the quantity and quality of consumer goods. Conversion also enhances the Soviet image abroad; shifts away from military production can be turned to diplomatic advantage. "It helps to pave the way for a more positive constructive role in the global economy and makes it a lot easier for President Bush and others to take a more favorable view toward increasing trade and economic cooperation with the Soviet Union," Tedstrom said. And conversion helps to reinforce the emerging Soviet security philosophy of "reasonable sufficiency," which posits that the USSR needs only enough weapons and manpower to meet any credible threat, not an enormous military with expansive capabilities. Tedstrom put stock in the Soviet commitment to reasonable sufficiency. "I think the Soviets are serious about this," he said.

A major question is the best way to convert Soviet resources. Some Western specialists define conversion in the limited sense of retooling factories from military to consumer production — "tanks to refrigerators." Tedstrom termed this "active conversion." The problem with active conversion is its high cost. It is very expensive to convert and retool factories, a process which takes eighteen months on average for each plant, after a lengthy planning period that in the West often takes two years. Additionally, factory workers have to be laid off and then retrained. That is why "very little active conversion has gone on. There have been only a handful of factories whose capacity has been transformed from military production to civilian production. Whether we're talking about consumer goods like TVs and VCRs or capital equipment like robotics, very little of that has been done."

The conversion of factories from military to consumer production could also create new problems. Consumer goods are often unprofitable, "whereas the production of military goods is quite profitable." The central government reimburses the military sector when its resources are used to make consumer goods at a loss. Tedstrom claimed that Moscow will have to give back the military-industrial



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ministries roughly five billion rubles next year — over half of the money saved in the historic defense cut.

Taking into account the shortcomings of active conversion, many Soviet thinkers are looking at the situation in a more pragmatic way. They are putting their hopes on “passive conversion.” This is an indirect method which involves reducing defense expenditures, transferring personnel back and forth between the civilian and military economies, and increasing the civilian share of research and development. Passive conversion does not require physically moving resources or retooling factories. Tedstrom said, “It’s relatively simple to cut the defense budget. There’s a quick, easy and obvious pay-off.” That is why “we’ve seen dramatic cuts in the defense budget. We’ve seen personnel transferred.”

Military Resistance

Changes in the policy-making process may lead to further conflict over the correct role for conversion. Tedstrom noted that it is still true that “the large questions are both initiated and decided in the Politburo and the Defense Council.” But two new groups in the Congress of Peoples’ Deputies are beginning to play key roles. One, the Committee for Questions of Defense and National Security, is dominated by military and military-industry figures. The other, the Commission for Planning, Budget and Finance, includes reformers such as economists Nikolai Smelov and Gavriil Popov. Tedstrom notes that “the two groups will

have very different outlooks on the question of military economics.”

Opposition to conversion comes from three different camps. Defense Minister Dmitri Yazov and other conservatives say that the current conversion program is too much — “instead of talking about the burden of defense on the economy, he’s worried about the burden of the economy on defense.” Yazov recently complained in an *Izvestiya* interview that he didn’t think it was fair that “the economic woes of the Soviet Union should be solved on the back of the military budget.” A second group suggests that the concept of conversion is flawed because the efficiency of the military-industrial complex is overestimated; an article in the April 1989 *Kommunist* claimed that military production is just as inefficient as that in the civilian sphere, and military sector workers just as slack. A third group of thinkers feels that conversion will not work because the military-industrial leadership will always place civilian production secondary to military needs; advocates of this viewpoint include Alexei Arbatov, head of the Department for International Security Studies at the Institute of World Economy and International Relations.

“Right now the future and fate of the conversion program is in limbo,” Tedstrom said. Few irreversible decisions have been made, so “a lot of what has been converted can be reconverted.” The debate has risen sharply in the last six months, and it is far from over.

Reported by Paul Lerner

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