GORBACHEV AND THE TRIALS OF PERESTROIKA
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By

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The purpose of this thesis is to examine the nature and significance of economic perestroika during Mikhail Gorbachev’s rule from 1985 to 1991. In particular, the focus is upon the importance of Gorbachev’s role as leader in the process of reform, upon how he approached the Soviet state of systemic crisis, and, in broader terms, upon the nature of the debate concerning economic reform. It is argued that, in the wake of the attempted coup d'état, the downfall of economic perestroika -- and, indeed, the downfall of the empire and of Gorbachev himself -- was the result of an intensifying state of economic, political, social, ideological, and nationalistic crises, crises which Gorbachev could neither stem nor mitigate. His vision of economic transformation, framed by his continued dedication to Marxism-Leninism and motivated by his enduring commitment to revitalize Soviet socialism and the Soviet state, is examined from the perspective of its three distinct, yet interrelated, elements: first, the process of de-Stalinization; second, the process of de-Brezhnevization; and third, the formulation of a new socialist economic model. Within this context, emphasis is placed upon Gorbachev’s understanding of the interdependence between economics and politics or, more precisely, his intention to have political
reform serve an economic function. Furthermore, particular attention is paid to the significance which Gorbachev accorded to the leading role of the Communist Party in both the process of reform and, more generally, the building of Soviet socialism. In order to consider the 'environment' which surrounded the formulation of Gorbachev's vision of economic transformation, the nature of the debate concerning economic reform is examined, specifically with a focus upon the post-1988 period. There are two reasons for this focus: first, it marked the official drive toward systemic change; and second, it marked the emergence of far-reaching political conflict among elites regarding the nature, scope, and direction of economic transformation.
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CHAPTER ONE: INTRODUCTION

When Mikhail Gorbachev became General Secretary of the Communist Party in 1985, there was no one who could have predicted the ultimate outcome of the changes which he initiated, indeed not even Gorbachev himself. For he clearly had no intention of dissolving either the Soviet Union or the party and, furthermore, no intention of abandoning Soviet socialism. Indeed, at the heart of Gorbachev’s effort to transform the economic, political, and social spheres was a distinct desire to realize the potential of Soviet socialism, to relegate the party, and, in so doing, to modernize and revitalize the Soviet state as a whole. Had Gorbachev realized this ultimate outcome, he might not have taken the steps that he did to effect change.

The purpose of this thesis is to examine the nature and significance of economic perestroika during Gorbachev’s rule from 1985 to 1991. However, not professing to be an economist, there is no attempt to consider its strictly economic aspects and the implications thereof. Rather, the focus is upon the political actors or, more precisely, upon Gorbachev and certain key individuals who surrounded him; upon Gorbachev’s ideas concerning the course of economic transformation and the debate which his ideas generated. This
focus points toward an understanding of why economic perestroika failed, why the Soviet Union and the Communist Party dissolved, and why Soviet socialism a la Gorbachev withered away.

THE IMPORTANCE OF GORBACHEV AS A LEADER

Before any serious discussion of economic reform can take place, what must be achieved is an understanding of the nature and significance of Gorbachev as a leader. Is it reasonable, or even possible, to examine what transpired during the period 1985 to 1991 from the vantage point of 'Gorbachev and his economic reforms'? Indeed, it may appear ill-founded to emphasize the role of one individual in change, particularly when that change affected the whole of Soviet society. Yet, if considered from a political perspective, Gorbachev’s role as a leader in the economic reform process becomes crucial. As Stanley Hoffmann notes, such a perspective means that the focus is on statecraft or, more precisely, on "the way in which the leader conceives of and carries out his role as statesman, [and] his relations with and impact on his followers or opponents."¹ Hence, from this point of view, Gorbachev’s role in economic change is important because its nature and its scope are determined by how he conceives of

change, and by the extent to which he can successfully mobilize support and demobilize opponents. In order to further establish why Gorbachev's role as leader in the reform process is important, some consideration must be paid to the arguments against such an assertion. Many analysts, for example, have affirmed the significance of collective leadership over individual leadership. T.H. Rigby states that "...while the Soviet system of rule is indeed a dictatorship, for the most of the time it has functioned as a dictatorship not of one man but of several, in other words as an oligarchy." Other analysts have argued that with or without Gorbachev the need and the demand for change was evident; change simply had a broad constituency of support. Zbigniew Brzezinski, for example, claims:

... Gorbachev's emergence was not a freak event. His coming to power represented the surfacing of a new reality in the Soviet Union, both on the objective and the subjective levels. In other words, if not he then some other Soviet reformer would have in all probability emerged as the leader in the mid-1980's. This "new reality", many analysts would assert, arose largely as a result of economic development. Accordingly, society was thought to be more educated, urbanized, and informed. In

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essence, these analysts claim that change became a function of these long-term qualitative shifts in society. Gorbachev had little control and, inevitably, was forced to accept change. S. Frederick Starr states that these qualitative changes had, in fact, established the outlines of a civil society. Reform under Gorbachev’s leadership, then, comprised of simply clearing away the bureaucratic impediments to a liberal society. General Volkogonov takes Starr’s claim even further. He states that Gorbachev

... has played a large, historic role in the collapse of the totalitarian system ... in our country ... If, though, we are honest, he did not so much play a role, did not so much do things -- he did not hinder the process.¹

The claims outlined above discount both the significance and the impact of Gorbachev’s leadership on the reform process. Yet, to a large extent these claims are overstated and, thus, require some discussion in response. First of all, the very structure of Soviet politics, where power was concentrated at the summit of the political system, implied that change would invariably be focused upon the leader himself. In light of this fact, the following claim by Archie Brown is significant. He states:

However great the importance of the collective


² Quoted in, Peter Reddaway, "The Quality of Gorbachev’s Leadership," Soviet Economy 6, no.2 (1990): 139 (my emphasis).
institutions at the top of the party hierarchy, there is no doubt that all General Secretaries have made a difference -- though not the same difference -- to the climate and orientation of Soviet politics.  

Brown's point here -- in essence, that General Secretaries make a difference -- is particularly significant with reference to the Gorbachev period. As Richard Sakwa notes, the theme of collective leadership was remarkably absent after 1985. Consequently, the post of General Secretary could only have been enhanced. When Gorbachev assumed this position as leader, then, he could not have been more advantageously positioned or poised to direct the reform process.

What served to further enhance this advantageous position was the fact that Gorbachev followed both Brezhnev and Chernenko. Brezhnev's consensus-seeking style of leadership fostered too few decisions and too few answers. Consequently, there was a sense among many of the post-war elite that time had been lost and that without real leadership -- without timely and painful choices -- decay would ensue. In other words, without such choices "it [would] be necessary [in the future] to do things over, to rebuild, to unlearn our acquired habits, that is, in a certain sense to turn around

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and start over." Under the brief transitional leadership of Chernenko, his frailty, along with stalemate on personnel change and policy, further motivated support for a more dynamic leader; an individual who could show real leadership on the Soviet Union's major and, increasingly, severe problems. Hence, demands for change were focused squarely on Gorbachev himself and on the post of General Secretary as well. Gorbachev was uniquely positioned to direct the reform process.

The year 1985, then, brought with it two conditions which lay the foundation for a significant shift in policy: first, a change in the composition of the top political leadership\(^8\); and second, a number of serious problems across different policy areas which demanded swift and decisive action.\(^9\) What must be noted is the mutually dependent nature


It should be of no surprise, then, that Soviet reformers like Tat'yana Zaslavskaya and Abel Aganbegyan moved to Moscow after Gorbachev became party leader.

of these conditions. In other words, opportunity for change is a necessary prerequisite for reform but it is not a sufficient one. Opportunity for change must itself be matched in kind with an individual leader's ability and will to direct it.\textsuperscript{11} Boris Yeltsin reinforces this assertion with reference to Gorbachev himself:

I do not like high-sounding phrases, yet everything that Gorbachev has initiated deserves such praise. He could have gone on just as Brezhnev and Chernenko did before him ... draped himself with orders and medals; the people would have hymed him in verse and song, which is always enjoyable. Yet Gorbachev chose to go another way. He started by climbing a mountain whose summit is not even visible.\textsuperscript{12}

Gorbachev clearly established both his ability and his will within the first year.\textsuperscript{13} Indeed, as T.H. Rigby points out: "...there were no longer any carry-overs from his predecessor's regime who could conceivably challenge his primacy"; and, significantly, there were others who "could not have acquired their ... standing without his favour and were

\textsuperscript{11} Matching opportunity and will implies that Gorbachev's character and personality left a distinct impression on the reform process.


dependent on him for their future preferment." Particularly important, here, is the speed with which Gorbachev established this position. More than any other factor, this speed served to establish at an early stage both his ability and his will. To achieve a comparable position, it took Stalin six years, Khrushchev four years, and Brezhnev ten or twelve years.

It should now be clear that Gorbachev as an individual and as a leader is significant in the reform process. Simply stating that with or without Gorbachev the need for change was evident may, in fact, be true but it overlooks and underestimates the powerful position that Gorbachev occupied. Indeed, many of his ideas for dramatic change had been raised in the reform debate before he became General Secretary.

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15 Ibid.

16 Two examples are worth noting here. The first is Tat’yanas Zaslavskaya's Novosibirsk Report of April 1983. Her analysis identifies a growing gulf between the system of economic management and the needs of a more modern economy. She argues that the economic system is no longer appropriate and that it is the main cause of declining Soviet economic performance. In response, she implies that a shift from an administrative to a market allocation of resources is required. The second example is a letter written by Andrei Sakharov, Roy Medvedev, and Valery Turchin to L. Brezhnev, A. Kosygin, and N. Podgorny on March 19, 1970. In this letter they state: "Our economy can be compared with the traffic moving through an intersection. When there were only a few cars, the traffic police could easily cope with their tasks and traffic flowed smoothly. But the stream of traffic continually increases, and a traffic jam develops. What should be done in this situation? ... The only solution is to widen the intersection. The obstacles hindering the development of
Thus, what becomes important, here, is why Gorbachev chose to advocate the reforms that he did, at the time he did, and in the sequence he did. As well, it is important to recognize that reform was initiated and directed from above. The nature of Soviet politics and the power vested in Gorbachev's post dictated that this be the case. Implying that reform was simply and solely the function of a more complex society would be a grave error. Qualitative changes in society were important insofar as they created anachronistic economic and political arrangements. To assume, however, that they alone drove change and that Gorbachev played no distinct role -- whether positive or negative -- in the process would be to misunderstand the nature of Soviet politics.

If, in fact, Gorbachev is important as a leader in the reform process and if 'Gorbachev and his economic reforms' is a reasonable and possible proposition, then, the following must be also be the case: first, that his personal intervention in the process motivated decisive shifts in the direction of change; and second, that his caution and hesitancy, a function of both his acute awareness of what was politically feasible and the limitations of his own thinking,

stunted reforms.

Now that Gorbachev’s role in the reform process has been defined, it must be clearly qualified. Perestroika is not to be understood as a ‘revolution’ led solely by Gorbachev. Just as leadership itself must be considered interactive -- as a relationship between leader and followers and between leader and opposition -- so, too, must the process of reform be looked upon as an interaction of individuals, ideas, groups, and nations. The following discussion of economic reform in the Gorbachev years will pay close attention to this fact.

**THESIS OUTLINE**

Chapter two, as the starting point for this thesis, focuses upon the reasons why economic perestroika was necessary. To begin, it discusses the nature of the Soviet crisis as a systemic one. Within this context, the crisis is defined as one of 'effectiveness' not of 'survival'. The examination then turns toward three legacies of the past: first, Leninist monism; second, the Stalinist centralized, command-administrative economic system; and third, Brezhnev’s style of authority, typified by the ‘tacit social contract’. Following from this examination, it is determined that both an economic and a political force drove the ‘crisis of effectiveness’. In the first case, this implied that dramatic transformation in the Soviet system would require a simultaneous change in the strategy of economic growth and in
the organization of the economy; while in the second case, it implied the re-establishment of the legitimacy of the Soviet state, one where the renegotiation of the basic relationship between the state and the masses became paramount. Finally, the international factors which contributed to the Soviet state of systemic crisis are discussed. The focus, here, is upon the effect that the arms race had on the economy and, as well, the effect that the era of the 'Third Industrial Revolution' had on the international status of the Soviet state.

Chapter three examines Gorbachev's vision of economic transformation under the guise of two general understandings: first, that Marxism-Leninism, adapted to Soviet conditions and supplemented by seventy years of Soviet historical experience, constituted the conceptual framework within which Gorbachev formulated his vision; and second, that Gorbachev possessed no detailed, fully formulated strategy but, rather, a guiding principle, that being the revitalization of socialism. Following this, the examination of his vision begins with the process of de-Stalinization. In other words, it begins with Gorbachev's efforts both to increase economic autonomy and consumption and, also, to dismantle the centralized command-administrative system. Particular attention is paid, on the one hand, to the evolution of his thought within this process and, on the other hand, to his conception of not only the Soviet state as a whole and economic relations between the
centre and the republics but, also, the nationalities question. The examination then turns toward the process of de-Brezhnevization. Here, the focus is upon Gorbachev’s attempt to establish his own version of a ‘social contract’, one which would mould and secure the attitudes and skills necessary to advance the process of reform. Within this context, three substantive issues are also considered. For each of these played a significant role in the establishment of his new ‘social contract’. These issues are: first, employment security; second, wage reform; and third, price reform. Finally, the examination considers Gorbachev’s move toward redefining the economic face of socialism (beginning in 1989). This discussion centres upon his conception of two things: on the one hand, the formation of a socialist market; and on the other hand, the development of diverse forms of socialist ownership. Within the context of this discussion, particular attention is paid to the notion of ‘private interest’ and how Gorbachev utilized this notion within the socialist framework.

Chapter four examines Gorbachev’s strategy with a specific focus upon the interdependence between economics and politics. Notably, emphasis is also placed upon Gorbachev’s appeal to Lenin as a means of legitimization. To begin, the chapter discusses his conception of modernization. This discussion is important because it points toward a notion developed in chapter three, that being ‘personal interest’. The purpose, here, is to determine how Gorbachev attempted to
secure the personal interest of the Soviet people both in the economy and in the reform process itself. Following from this, the discussion turns toward Gorbachev’s understanding of the past or, more precisely, how he attempted to delegitimize the old Soviet order and, at the same time, legitimize his own direction of change. Examined next are glasnost and democratization. These campaigns are explored in an effort to ascertain how Gorbachev expected political reform to function in the service of economic reform. Lastly, the chapter considers the paramountcy which Gorbachev accorded to the political role of the Communist Party not only in the process of reform but, also, in the development of Soviet socialist society more generally.

Chapter five discusses the debate about economic reform which evolved around Gorbachev. In essence, this chapter builds on a concept discussed in chapter four, that being, the importance of understanding the role of politics within the context of communist systems. In this case, the focus is upon the conflictual political decision-making environment which obstructed the advance, and indeed the success, of economic transformation. To begin, there is a discussion of the debate concerning economic reform which emerged in the period 1985 to 1987. A distinction is made between debate in official circles and debate in unofficial circles. The former is examined as an example of within system change and the latter as an example of systemic change. Next,
the 19th Party Conference is discussed, with particular attention being paid to the role of Leonid Abalkin. This conference is significant within the context of this chapter because it is shown to mark a shift in the focus of economic reform (in official circles) from within system to systemic change. The discussion then turns to the post 1988 period and, more specifically, an analysis of the move toward systemic change. Particular emphasis here is placed on the political conflict which surrounded this move and which emerged as a result of the increasingly severe state of economic and political crisis. First of all, the political conflict between Abalkin and Nikolai Ryzhkov is examined. A significant portion of this discussion focuses upon the three economic plans (one proposed by Abalkin, the other two by Ryzhkov) which manifested this conflict. Next, the discussion considers the Shatalin Plan, as well as reactions to it and repercussions of it. More precisely, the plan is first analyzed relative to a program which Ryzhkov introduced at the same time. Second, the reactions of Gorbachev and Yeltsin are discussed, in an effort to understand the political motivations of each individual. Third, what is examined are the repercussions of Gorbachev's rejection of the Shatalin Plan, in particular, the decline in his legitimacy as leader. Finally, the chapter considers five distinct schools of thought concerning economic reform which became significant in 1991. These schools are discussed for the purpose of examining the conflictual political decision-
making environment which prevented elites from reaching a consensus on the nature and the direction of economic reform.

**SOURCES**

In closing, it is necessary to make one final comment. This thesis has consulted both Western and Soviet sources in an attempt to develop a fuller perspective of the actors and events in the Soviet Union from 1985-1991. In particular, it relies on original writings which have been translated into English. These writings are taken, for the most part, from *Current Digest of the Soviet Press* (CDSP), *Foreign Broadcast Information Service* (FBIS), and *Transdex*. The information found in these sources is, when necessary, supplemented by commentaries from various political and economic scholars.
CHAPTER TWO: THE ROOTS OF PERESTROIKA

The cornerstone of communist reformism\(^{17}\) lies with the notion that a system of communist authority can be humanized, democratized, and, in effect, revitalized. Yet, from the late 1960's to the mid 1980's, confidence in the viability of such a project eroded under the impact of successive failed or aborted reforms. Rather than revitalizing communist society, it seemed that such efforts had retarded development. Put most simply, communist reformism appeared to have lost its historic opportunity to revive the communist project.

From its inception, the Soviet version of communism, as a social, economic, and political system, had professed itself to be an alternative to the Western form of modernity characterized by market economic forces and liberal democracy. The failure to reform and to adapt this communism to its changing surroundings and circumstances, however, has led some analysts to conclude that there is only one legitimate form of modernity. For example, Zbigniew Brzezinski comments with respect to "humanity's catastrophic encounter with communism":

> Utopian social engineering is fundamentally in conflict with the complexity of the human

\(^{17}\) This term is adopted from Richard Sakwa. See, Richard Sakwa, Gorbachev and His Reforms 1985-1990 (New York: Prentice Hall, 1990).
condition, and social creativity blossoms best when political power is restrained. That basic lesson makes it all the more likely that democracy -- and not communism -- will dominate the twenty-first century.\(^{18}\)

In light of this 'basic lesson', he concludes that "communism is in a grave -- indeed, terminal -- crisis. ... [The] idea of communism is essentially dead."\(^{19}\)

When Gorbachev assumed the position of General Secretary in 1985, the Soviet Union's model of development was fast approaching a state of crisis. A series of cumulative, converging, and interrelated problems, all culminating at virtually the same time, confronted and challenged the regime. These problems were so intertwined that any effort to reform, or any failure to innovate, threatened to reverberate throughout the entire Soviet economic, political, and social system. Seweryn Bialer, accessing the nature and scope of these problems which faced Gorbachev, describes the dilemma "simply as an unsuccessful quest for modernity."\(^{20}\) At the heart of this dilemma was the old administrative design of the Soviet model itself. Despite the Soviet Union's world standing in terms of GNP -- second only to that of the United States -- it was strikingly evident that the existing model could not


\(^{19}\) Ibid., xi.

"deliver the goods". More precisely, it could neither sustain promises of a rising standard of living nor spawn an expanding sphere of individual or socio-cultural development. Three points are worth considering here. First, the Soviet annual rate of growth slowly declined from 6.5 per cent in 1961-5 to approximately 2 per cent in 1976-1985. Second, the Soviet per capita standard of living fell from 56th place in 1976 to 70th in 1982. With respect to purchasing power, Soviet economists indicated that the average Soviet citizen's living standard was approximately 25 per cent of that prevalent in developed capitalist countries. Third, in spite of a safety net, life expectancy fell while infant mortality

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21 "Delivery of the goods", here, refers to basic consumer durables, social services such as health care and education, and career and upward mobility opportunities. See, Walter D. Connor, "Generations and Politics in the USSR," Problems of Communism 24 (September-October 1975): 20-31.


Taken together, these three points challenged the very foundations upon which the Soviet model of development had been inspired. As established earlier, the planned economy had long been put forth as the best and most efficient manner by which material prosperity, a goal common to communist and capitalist systems alike, could be attained. In essence, then, a significant measure of the legitimacy accrued to the Soviet leadership lay with the reality and the hope of material progress. Given the historical record of communist reformism and, thus, the doubts surrounding whether or not communism -- at least, the Soviet derivation thereof -- was a viable alternative form of modernity, one problematic question had to be answered: Had the Soviet model of development simply exhausted its potential?

Gorbachev's answer to this question was clearly 'no'. The process of reform that he initiated under the guise of perestroika was predicated upon the reformability of the communist system. Indeed, it was his belief that the Soviet model of development had within itself the capacity for flexible adaption to a changing environment or, more precisely, changing demands and circumstances. In other words, Gorbachev believed and tried to prove that no incompatibility existed between modernization and central party control. It is

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important to recognize here, however, that his version of modernization did not imply a process of Westernization. Rather, perestroika sought to develop a distinctive form of communism that would develop parallel to, but not converge with, the West.²⁶ It sought to retain old building blocks -- the party, soviets, ministries, and planning agencies -- while, at the same time, to empower them with a radically new and dynamic meaning.

In essence, Gorbachev was committed to renewing the Soviet system and, thus, must be regarded as a reformer and not a revolutionary.²⁷ Richard Sakwa, in support of this claim, states:

Gorbachev’s aim has been to modernize Soviet socialism and to strip it of its alleged distortions rather than to revolutionise Communism out of existence. This may be the result, but this

²⁶ Richard Sakwa refers to this distinctive form as late communism. According to Sakwa, this kind of system emphasizes welfarism and is fairly de-ideologized. Furthermore, it is characterized both by pluralistic economic and political relations, as well as power structures bound by rule of law. Again, late communism is marked by the continued 'leading role' of the communist party, whether this role be constitutionally guaranteed or not. For Sakwa's discussion of late communism, see, Richard Sakwa, Gorbachev and His Reforms (New York: Prentice Hall 1990): 59.

²⁷ Here, reformer and revolutionary are understood within the context of the terms reform and revolution as defined by Timothy J. Colton. He states that reform "involves improvement and change" and is "promoted by gradual and peaceful means." Revolution, on the other hand, is that "which brings about fundamental, rapid, and violent change." See, Timothy J. Colton, The Dilemma of Reform in the Soviet Union (New York: Council on Foreign Relations Inc., 1984): x.
was certainly not the intention. Sakwa’s support here, and the initial claim itself, are also consistent with the nature and scope of reformism as defined by Stephen F. Cohen. He asserts that reformism aims toward both the potential of the existing system and the promise of its established ideology. It recognizes that neither the potential nor the promise have been realized and, furthermore, "that they can and must be fulfilled." 

Up to this point, only a very general understanding of the Soviet milieu in the mid-1980’s has been established: on one hand, the challenges which faced the regime; and, on the other, the kind of change to which Gorbachev aspired. To establish a more specific understanding, the following points must be addressed: first, the nature of the Soviet crisis in a more theoretical sense; second, the legacy of the past or, more specifically, the nature of the political and economic system as inherited from Stalin and Brezhnev; and third, the importance of international factors as a force driving change.

THE NATURE OF THE SOVIET CRISIS

Before the essence of the Soviet crisis can be


unravelled, an understanding of the nature and direction of change in the Soviet communist system itself must be outlined. Here, three distinct phases can be isolated: phase one, system-building; phase two, system-maintenance; and phase three, system transformation. System-building was characterized by the creation of basic institutions and structures. It refers to the years 1917-1953 where Lenin and Stalin served as the creators. System-maintenance sought to make the system work. It is relevant to the years 1953-1985 during which Khrushchev, Brezhnev, Andropov, and Chernenko presided. Finally, system-transformation endeavoured to qualitatively transfigure the basic institutions and structures while, at the same time, remaining committed to the broad framework of ideas as formulated by Lenin and Stalin. This latter phase refers to the years 1985-1991 where it was Gorbachev’s task to direct the process of change and to achieve fruitful results both in the short and long term.

The emergence of the system-transformation phase represented an inevitable response to what Seweryn Bialer considers the dominant style of communist politics — "crisis politics". According to Bialer, the Soviet Union’s "entire history constitutes an unending chain of crisis situations",

particularly in the economic sphere. He claims, therefore, that reform serves as the vehicle through which, and by which, the leadership seeks to adjust its economic and political policies. During the system-management phase, however, reform measures were episodic. The Brezhnev leadership, especially important because it dominated the phase, ruled by consensus and sought to achieve the lowest common denominator of all institutional interests. Reform efforts in this era, as a result, represented little more than tinkering with the system. 'Crisis politics' continued during this second phase yet without the resolution of the crises themselves. Perestroika within the context of system-transformation, then, cannot be regarded as a sudden tactical shift in policy but, rather, as an outcome of, and a response to, these unresolved crises.

What must particularly be emphasized, here, is that perestroika was indicative of the interrelated and cumulative


32 During this period, the leadership acted upon remarkably few ideas from either the official or unofficial poles of the reformist debate. The ideas that were implemented were painstakingly circumscribed, thus, exerting only a minimal influence on the system as a whole. Many analysts, as a result, conclude that under the Brezhnev leadership the Soviet Union was on a "treadmill of reform." See for example, Gertrude E. Schroeder, "The Soviet Economy on a 'Treadmill of Reforms'," The Soviet Economy in a Time of Change 1 (Washington D.C.: Joint Economic Committee, 1979).
nature of these unresolved crises. Indeed, it was symptomatic of an expansive, all-encompassing crisis -- **systemic crisis**. Before this claim can be discussed, however, the term systemic crisis itself must be understood. Essentially, it implies the following: first, that the system does not work effectively in the achievement of leadership goals; second, that the system exhibits declining stability, as well as a declining ability to adjust to changing circumstances; and third, that the political system demonstrates an inability to utilize its potential.\(^{33}\) Given, this general definition, it is necessary to point out that there are different degrees of systemic crisis. Bialer, for example, draws the following distinction: on the one hand, a crisis of effectiveness; and, on the other hand, a crisis of survival. Richard Pipes, assessing the Soviet system prior to Gorbachev's leadership, subtly alludes to this distinction. He states:

> A deeper insight into internal conditions of communist societies, the Soviet Union included, indicates that they are in the throes of a serious **systemic crisis** which sooner or later will require action of a decisive kind ...\(^{34}\)

Following from Bialer's distinction above, then, the more systemic crisis edges toward proportions that threaten the


\(^{34}\) Richard Pipes, "Can the Soviet Union Reform," *Foreign Affairs* 63, no.1 (Fall 1984): 49 (my emphasis).
viability of the system itself, the sooner decisive action will be required.

The Soviet Union that Gorbachev inherited in 1985 clearly was in a state of *systemic crisis*. Yet, the crisis was one of *effectiveness*, not one of *survival*. The economy itself was not going bankrupt. The system was still capable of delivering the necessary minimum level of sustenance to the population. As well, the Soviet Union was still a military superpower and, as noted earlier, was second to only the United States in terms of GNP. Finally, the Soviets were the world's largest extractor of petroleum and natural gas, and the world's largest producer of machine tools. Thus, it was not the *existence* of the Soviet system that was threatened. Rather, what was threatened, and what was in fact *declining*, was the stability of its social order -- in other words, its effectiveness. Indeed, this was clearly evident in the slow decline of Soviet economic growth, the growing gap in science and technology between the Soviet Union and the West, and the

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37 This is derived from Bialer's definition of a 'crisis of effectiveness'. He states: "What a crisis of effectiveness ... mean[s] is that the stability of the social order is declining and will continue to decline." See, Seweryn Bialer, *The Soviet Paradox* (New York: Alfred A. Knopf, 1986): 169.
neglect of crucial infrastructures, such as transportation, housing, education, and health care.

Thus, Gorbachev’s task was to eliminate the crisis of effectiveness or, at least, reduce the speed of its upward spiral. In essence, then, he had to prevent the crisis from escalating into one of survival. Here, it would be imperative for Gorbachev to dispel the pessimism, frustration, and growing doubts about the country’s future, both at the mass and the elite levels. How he attempted to accomplish this will be discussed in chapter four.

THE LEGACY OF THE PAST

In order to discuss the economic reform process and analyze its shortcomings, a basic understanding of the past must be achieved. This is essential because it was precisely old structures, old policies, and old dogmas that were the focus of change. Indeed, economic reform in the Soviet Union demanded that Gorbachev unravel and deconstruct three legacies of the past and that he introduce and create new structures and policies to replace them. The three legacies were as followings: first, Leninist monism, characterized by the party’s domination of the state; second, the Stalinist centralized, command-administrative economic system; and third, Brezhnev’s style of authority, typified by the ‘tacit social contract’. In the discussion to follow, each of these legacies will be addressed although more emphasis will be
placed upon the second and third elements.

To begin, it must be noted that, when Gorbachev became General Secretary in 1985, the essence of the Soviet political-economic system -- its basic institutions and its power structure -- had not changed much since Stalin's death in 1953. More precisely, three resilient components remained prominent: first, the party's unqualified monopoly of power; second, the 'command-administrative' economy; and third, the omnipresent state. This concentration of formally unaccountable power in the hands of so very few was indeed remarkable for its persistence. As Seweryn Bialer contends, "... one is justified in considering the transition of the Soviet Union from Stalinism to post-Stalinism as a change in the form of rule, not its basic substance."

The primary goal of the Soviet political leadership has long been rapid economic growth or, more specifically, industrial growth. Indeed, even the leadership's slogans were indicative of the dominance of this goal among other system designs. One, for example, viewed "politics as condensed economics". As a result, issues of economic growth pervaded the entire political decision-making process. Growth itself, as well as the military power it fuelled, became the measure by which the success or failure of political leadership was determined. Moreover, as noted earlier in the chapter,

38 Ibid., 6 (my emphasis).
economic development became the regime's historical justification of the social transformation it advocated and the political order it established.

The Stalinist model of economic growth was characterized by a total mobilization and allocation of resources, a highly selective, relatively narrow range of high-priority tasks, and an intense amount of pressure and emphasis on the tempo of growth, as well as on ever-increasing quantities of output. What was most distinctive about this model, however, was "its lack of economic self-generating, self-regulating, and adjusting features."\(^{39}\) In effect, then, the political-economic institutions constituted the physical embodiment of the model itself. Indeed, the model's strategy of growth promoted and, with time, entrenched an immense, hierarchical, centralized political structure which served as the key mechanism of regulation, supervision, and coordination.

The Stalinist model fared rather well in the first phase of the Soviet industrial revolution. The model was effective insofar as it was able to mobilize and concentrate scarce resources at a time when not only was there a plethora of underutilized resources but, also, a low level of technology. Rapid military and heavy industrial growth were achieved, although at a high cost both in human misery and

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wasted resources. As priorities shifted and as circumstances changed, however, the confines of the model itself and its extensive strategy of growth \(^{40}\) became completely unfit to promote economic expansion. Seweryn Bialer notes that the Stalinist model "stifled initiative and creativity, discouraged development, and with its expansion became more and more cumbersome and unmanageable." \(^{41}\) In fact, by the early 1970's, it was strikingly evident that the extensive strategy had simply reached its absolute physical and economic limits. Effectiveness was declining and the economy edged ever-closer to stagnation. New labour resources diminished and once cheap and abundant raw materials were largely exhausted. \(^{42}\) The state of the economic infrastructure, which had been neglected by the extensive growth process, served to further aggravate

\(^{40}\) An extensive pattern of growth is generated by draining investment -- capital and labour -- out of the agricultural and consumer goods sectors (Group B) and pouring it into heavy industry (Group A). Intensive growth differs from extensive growth insofar as it emphasizes a more efficient use of existing resources. See, Peter Rutland, "Economic Management and Reform," in Developments in Soviet Politics, eds., S. White, A. Pravda, and Z. Gitelman (Durham: Duke University Press, 1990): 160 (my emphasis).


\(^{42}\) As well, when the easily accessible coal and oil deposits from the European parts of the country were exhausted, costs rose exponentially as extraction and production moved to Siberia, i.e. the Tyumen fields in West Siberia.
these shortages. It created bottlenecks in the economy and promoted the waste of labour and resources.\textsuperscript{43}

If economic development was to continue, and if it was to gear itself more toward mass production of consumer durables and high technology, a new approach would be required; in other words, a transition from an extensive strategy of growth to an intensive one. This implied that the strategic emphasis move from quantity to quality; not more goods, but better goods. As well, it required that there be a more efficient and effective use of scarce resources rather than a reliance on ever-increasing inputs of labour and investment.

At this point, it must be noted that, long before Gorbachev became leader of the party, both the Soviet leadership and Soviet economists seemed well aware of the fact that an extensive growth strategy was unsustainable. In other words, they seemed well aware of the fact that change was necessary before any progress in economic development was to abound. Indeed, the early 1960's marked a turn toward reform which was intended to shift the economy to an intensive path

\textsuperscript{43} Seweryn Bialer, for example, observes that more than 20 percent of the agricultural harvest and more than 50 percent of fruits and vegetables did not reach the Soviet consumer. He cites a shortage of roads, storage facilities, and insufficient railroad capacity as the cause of this waste. See, Seweryn Bialer, "Domestic and International Factors in the Formation of Gorbachev’s Reforms," in The Soviet System in Crisis, eds. A. Dallin and G.W. Lapidus (Boulder: Westview Press, 1991): 31.
of economic growth. The effort, however, was to no avail, as Soviet leaders in the post-Stalinist period pursued no serious changes to the Stalinist economic model itself. In effect, it became evident that any effort to achieve intensive growth from within the model was, at best, problematic and, at worst, impossible.

An important question must be posed here before continuing: Why, in the post-Stalinist period, did this emphasis on the command-administrative model continue with such vehemence and persistence? In general, it was the regime or, rather, the party and its unyielding dogmas which accounted for the resilience of the model and, thus, the political-economic structures themselves. Soviet leaders simply continued to reject any notion which advocated the necessity to surrender power over details, this in order to

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⁴⁴ As Peter Rutland notes, already by 1960 capital accumulation was at maximum levels and labour reserves were completely mobilized. This served as a clear indication to the Soviet leadership that the scope for further extensive growth was exhausted. As well, popular pressure was escalating for an improvement in food supplies and housing. See, Peter Rutland, "Economic Management and Reform," in Developments in Soviet Politics, eds. S. White, A. Pravda, and Z. Gitelman (Durham: Duke University Press, 1990): 160-161.

⁴⁵ Despite efforts to shift toward an intensive pattern of growth, the bulk of the Soviet Union's modest growth from 1976-1985 came from extensive sources. See, Ibid., 161.
retain power over political and economic outcomes. To account for the forces behind this narrow perspective, three explanations are worth considering. The first explanation is found in the self-interest of the party-state elite. Their power, status, and economic benefits remained secure if, and only if, the status quo did as well. Thus, for these officials, it was in their interest to obstruct and resist any suggestion or attempt to seriously reform political-economic structures.

Second, it is reasonable to assume that, according to the Soviet leadership, no alternative appeared any better. Charles Lindblom, for example, points to the many engineers within the elite political structure. He speculates that this group may simply have believed in the merit of plans, blueprints, and administrative coordination and regulation. In other words, they may simply have thought that this orderly method of economic organization was more efficient and effective than that put forward by chaotic markets and unregulated private exchange. Whether or not this particular conviction is true, however, should not detract from the main

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46 The consequence of such a narrow focus was paradoxical, however, insofar as the regime's power over both outcomes and details deteriorated. See, Thane Gustafson, Reform in Soviet Politics (Cambridge: Cambridge University Press, 1981).

thrust of Lindblom's argument. It remains important to recognize that, within the minds of Soviet policymakers, many of the bases and presumptions of the Stalinist growth model persisted.

This recognition leads to the third, and final point, that the regime's refusal to surrender power over details may, in fact, have been part of a larger, more deliberate strategy which sought to reconcile two problems -- economic growth and social peace; in effect, a strategy which sought to legitimize the party's political authority or, more precisely, its political monopoly. The essence of this approach revolved around what many analysts call the social contract policies of the 'neo-Stalinist compromise'\(^{48}\); 'neo-Stalinist' because the approach was premised upon a continuation of the basic Stalinist socio-economic system but minus its elements of terror and its most rigid economic policies. Although both Khrushchev and Brezhnev adhered to the 'compromise', it was during the latter's rule that the strategy reached its apogee. As a result, the following discussion focuses specifically on the nature of Brezhnev's 'social contract policies'.

On one level, following Stalin's death in 1953, members of the elite structure sought to rid themselves of the insecurity and unpredictability which were characteristic of the Stalin era or, more specifically, of his indiscriminate use of political terror. Under Khrushchev, however, these elements of insecurity and unpredictability persisted with his repeated bureaucratic upheavals. On another level, upward mobility rates in the 1950's gradually began to slow and the pressures both of a more complex economy and, also, a dramatically transformed social structure began to mount. Exacerbating this were Khrushchev's rhetorical excesses. Put most simply, these excesses motivated popular aspirations to escalate rapidly.

Brezhnev's implicit social contract addressed and accommodated both these levels. The first element of this contract pledged stability, regularity, and consultation to members of the political elite. The second element reinforced the first and, in essence, represented the heart of the social contract itself. In an unspoken agreement between the regime and the population as a whole, the regime extended a number of socio-economic guarantees in exchange for the population's unqualified support. More precisely, the regime offered to improve standards of living⁴⁹, guarantee job security and

⁴⁹ Included, here, was the regime's commitment to minimal and rising levels of material and social security, public health, and education. See, George W. Bresauler, "On the Adaptability of Soviet Welfare-State Authoritarianism," in
stable prices, subsidize housing and basic commodities including food, and reduce income inequality in exchange for the population's compliance; an understanding that "Soviet citizens should not encroach upon the prerogatives of the political elite or bureaucratic apparatus by demanding civil liberties or personal freedom." Most notably, this understanding perpetuated and reinforced the party's political monopoly over the decision-making process by virtually denying ordinary citizens voice in, and influence over, economic and political decisions which shaped their lives.

In essence, then, Brezhnev's tacit social contract, by shedding Stalin's political terror and Khrushchev's social utopianism, implied that the regime, and thus the party itself, was to be judged according to only one criterion. Stated simply, this criterion was its ability to "deliver the goods" to the Soviet people. What is most important to emphasize, here, is that such consumer-welfare promises can neither be easily retracted nor deferred. Walter D. Connor

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emphasized this in the 1970’s. He stated that "if circumstances should reduce [the Soviet Union’s] output capacity, the expectations built into the political culture, which now support the regime, could well turn against it." By the early 1980’s, this did, in fact, prove to be the case. Indeed, ‘circumstances’ -- primarily, sluggish economic growth and agricultural difficulties -- made it clear that the ‘neo-Stalinist compromise’ was no longer viable. Dwindling public support, which began as early as the mid-1970’s, became ever more apparent. Labour and social discipline deteriorated, pessimism about the future intensified, and open forms of protest increased.

At this point, what must also be recognized is that Brezhnev’s social contract or, more precisely, the political and social stability that it achieved came at a high price. In other words, the social contract was as much as casualty of its own economic costs as it was as casualty of economic slowdown. For example, the promise of wage egalitarianism implied, or rather demanded, that economic surplus flow from

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53 Open forms of protest ranged from attempts to form independent trade unions, to letters of complaint.

relatively profitable enterprises to less profitable ones. In effect, this diluted any incentive to produce at either enterprise. The regime's commitment to security and fairness, then, which in and of itself necessitated uniformity and a strong political centre, resulted in rigid constraints on the flexibility and initiative of individual producers. As well, what must not be overlooked are the institutions themselves whose job it was to supervise the implementation of the contract's rules and regulations. Like any other bureaucratic organization, these institutions developed a stake in defending the most basic premises and policies of the social contract, even when these premises might not any longer make sound economic sense. Most notably, these practices demanded an ever-growing share of the economy's surplus. Hence, Brezhnev's social contract policies themselves produced two problematic outcomes. The first one was an increasing divergence between the demands of a developing society and the design and structure of the economy.\cite{Sakwa1990} This, in turn, motivated and augmented inefficiency. The second one was that his policies obstructed any kind of economic adjustment that might, in fact, have slowed the economy's decline.

It should now be clear that, when Gorbachev became

\cite[Andropov commented, as well, on this issue. He stated: "The forms and methods of management are lagging behind the requirements made by the level attained by Soviet Society in its material, technological, social, and cultural development." See, Richard Sakwa, *Gorbachev and His Reforms* (New York: Prentice Hall, 1990): 27-28.}
Party leader in 1985, there were two forces which drove the Soviet Union's 'crisis of effectiveness'. The first was economic and the second was political, although both were interconnected and mutually dependent. In the first case, Gorbachev had but one, overarching task. Stated simply, it was to reverse the long-term slide in economic growth. Yet, to be successful this task would require not only a change in the strategy of economic growth and in the organization of the economy but, also, a simultaneous change in these two elements. The first change demanded a shift from an extensive growth pattern to an intensive one. The second demanded a shift from the Stalinist command-administrative model to a decentralized model where market forces would play a more dominant role.

At the very heart of the political force driving the 'crisis of effectiveness' was the need for Gorbachev to re-establish the legitimacy of the Soviet state. In other words, his task was to renegotiate the basic relationship between the state and the masses or, perhaps more precisely, between the party and the masses. This demanded that Gorbachev challenge the social contract policies of the Brezhnev era while, at the same time, modernize the economy and society.

**THE INTERNATIONAL CONTEXT**

The domestic origins of economic crisis are beyond question, yet, to simply focus on these factors alone would be
a grave mistake. International factors must be considered as well if a complete and comprehensive understanding of economic crisis is to be achieved. For the Soviet Union which Gorbachev inherited in 1985 was a world superpower. There are two questions, here, which must be answered: first, what effect did the Soviet Union's international commitments, in particular the arms race, have on the Soviet economy?; and second, what effect did the era of the 'Third Industrial Revolution' have on the international status of the Soviet Union?

Beginning with the first question, it must be emphasized that the arms race drained valuable, yet increasingly scarce, resources and capital from the Soviet economy. Stated simply, this served to reinforce economic retrogression and, indeed, to exacerbate the Soviet systemic crisis.\(^5^6\) In order to maintain nuclear arms parity with the United States, the Soviet Union devoted approximately 15 to 17

\(^5^6\) Worth mentioning, here, is one further substantial international commitment, that being Eastern Europe. The economic deterioration there presented the Soviet leadership with a rapidly escalating economic burden (and, also, a potential catalyst for destabilization in the Soviet Union). In 1980, for example, the Soviet Union contributed $4.35 billion in aid to Poland, which was approximately 75 percent of the country's aid. In 1981 this figure rose to $5.59 billion or about 90 percent of Poland's aid. See, Joseph L. Nogee and Robert H. Donaldson, \textit{Soviet Foreign Policy Since World War II} (New York: Pergamon Press, 1988): 317.
percent of its GNP to the military sector. The real costs, here, were even greater. For the leadership diverted the highest quality materials and personnel from other sectors of the economy (for example, agriculture and consumer goods). By the early to mid 1980's, the Soviet leadership was threatened with a new, more intensive, more costly cycle in the arms race, one which promised no 'security' to the Soviet Union. In fact, the United States -- as witnessed by its commitment to the Strategic Defense Initiative -- appeared more than prepared to escalate the arms race to levels where the Soviet Union simply could not compete.

Turning toward the second question, what is important to examine, first of all, is how the Soviet leadership has perceived its nation's status among other nations in the world, particularly those in the West. In general terms, past leaders have sought to evaluate domestic accomplishments and global standing against a backdrop of economic and technological developments in the capitalist world. In the Stalinist and post-Stalinist period, for example, 'catching up with and surpassing' capitalist countries -- primarily the United States -- both in economic and technological terms.

became the driving force behind much of Soviet policy formation.\textsuperscript{58}

In the mid-1970's, capitalist countries began to enter what many analysts refer to as the era of the Third Industrial Revolution; a revolution that was enormous in its scope, rapid in its pace, and deep in its overall effects.\textsuperscript{59} Some of its results include the following: complex communication systems; more expansive and more productive industrial and public services; and, a qualitative change in durable consumer goods as a consequence of electronics and miniaturization. The impact of this 'revolution' upon the Soviet Union -- and, more precisely, its status -- manifested itself in two ways. First, the technological gap widened sharply and rapidly as a consequence both of the explosive growth in capitalist countries and, also, the economic and technical stagnation in the Soviet Union. Second, the economic performance gap widened sharply and rapidly as well. The 'modern' economies of capitalist countries, rather than focusing simply on quantity,


focused on high labour and capital productivity, on costs and quality, and on easy availability and serviceability of products. The Soviet Union's performance, here, relative to capitalist countries was poor and, in fact, had regressed.\(^6\)

Recognition of such increasingly stark distinctions threatened the Soviet Union's claim to a destiny of international greatness, particularly in the face of Southeast Asian nations, once non-industrialized yet, now, rapidly rising and modernizing. Gorbachev clearly sensed that the economic and technological challenges which confronted the Soviet Union could neither be dodged nor wished away. It appeared evident, then, that the future of its global aspirations -- its foreign and security policies -- depended, in broad terms, on a program of domestic renewal and, in more narrow terms, on a program of radical economic reform. Stated simply, economic weakness in the long-run could not be reconciled either with military or international prowess.

**SOME CLOSING REMARKS**

Thus far, two important things have been established: first, the nature of the crisis which confronted the Soviet Union in 1985; and second, the domestic and international factors which drove the forces of change and, in effect, demanded decisive intervention not orthodoxy.

\(^6\) Ibid., 34.
At this point, before moving on to Gorbachev's vision and strategy in the forthcoming chapters, some general remarks and preliminary observations about the nature of perestroika seem necessary. First of all, it is important to note that perestroika was, to a large extent, ambiguous and cryptic. The overarching reason for this seems to emanate from the two faces of Gorbachevite reformism or, more precisely, the two sides of communism reformism, these being system-maintenance and system-transformation. As Richard Sakwa emphasizes, a fundamental contradiction exists between these two sides: "on the one hand, it aims to revive and sustain an existing system of power and property; on the other, it trying to transform the system while remaining true to its initial principles."

The inherent tension, here, is essentially a function of the ends to which communist reformism aspires, those being economic prosperity and political stability. To be more precise, this tension emerges because of the manner in which communist systems understand political stability. Within the communist context, it assumes centralization, monopoly, and 'impetus from above'. To the contrary, economic prosperity demands decentralization, competition, and 'impetus from below'. Clearly, these ends are irreconcilable and, as Brzezinski comments, the result is a 'fatal dilemma'.

... the fatal dilemma of the communist system in

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the Soviet Union is that its economic success can only be purchased at the cost of political stability, while its political stability can only be sustained at the cost of economic failure.⁶²

This tension outlined above and its result -- in essence, Brzezinski's 'fatal dilemma' -- extends to a further tension which is one of limits or, more specifically, which exists between reform and revolution. In order to understand this latter relationship more clearly, it useful to consider Richard Sakwa's two general laws of reform.⁶³ First, if reform measures are to be successful, there must be a constant source of dynamism. He claims that such an impetus would arise only from the presence of a dynamic leader or mass pressure. Second, if reform measures are to be irreversible, a strong dynamic force, alone, is not sufficient. Rather, a self-sustaining mechanism of reform is required. Sakwa indicates that 'irreversibility' is achieved if, and only if, reform passes over a threshold. This is assumed to be a point after which controls cannot or, perhaps more accurately, will not be reimposed; a point after which it essentially becomes impossible to revert back to the original position (at the onset of reform). These general laws, however, appear problematic and lead to the tension which is inherent between... 


reform and revolution. If, in fact, a general consensus can be reached concluding that there is no alternative but to reform, and if this sentiment is sufficiently dynamic, unyielding, and self-sustaining, then, what is to stop the momentum of reform? What is to stop the process from continuing past the 'threshold of irreversibility', from continuing forward until it reaches a revolution?\(^6\) In other words, what is to stop 'system-transformation' from becoming 'system-termination'? This, in essence, was the dilemma which faced Gorbachev, his followers, and his opponents. Indeed, in 1985 the concern was not whether change should occur or not occur. In other words, change itself was not the issue. Rather, disagreement surrounded the direction and shape that change should take and how change should be instituted, fast or slow. One problematic issue, however, threatened the very survival of the Soviet system itself, an issue which Gorbachev had to tackle head-on. Stated simply, his task was to answer the following questions: To what extent can the existing system be utilized to secure economic change? Does the entire the system itself need to be destroyed? The next chapter will examine Gorbachev’s response to these questions.

\(^6\) Revolution, here, is defined as a change in the nature of power and property.
CHAPTER THREE: GORBACHEV'S VISION OF ECONOMIC TRANSFORMATION

At the Plenary Session of the CPSU Central Committee, January 1987, Gorbachev stated in broad and simple terms a vision of the Soviet future, a vision which perestroika was to usher into reality:

We want to transform our country into a model of a highly developed state, into a society of the most advanced economy, the broadest democracy, and the most humane and lofty morality, where the working person will feel himself to be a full-fledged proprietor ..., where his children's future will be secure, and where he will possess everything he needs for a full, meaningful life. We want to force even the sceptics to say: ... Yes, socialism is a system that serves man, his social and economic interests and his spiritual elevation.

It should be clear from this idealistic vision that Gorbachev believed in the potential of the Soviet socialist system and in its inherent ability to develop a strong and vibrant society more rationally and effectively than another system, especially the capitalist one. What he presented was an image of a modern and prosperous nation which could offer abundance and security to its people, a nation responsive to their needs, concerns, and interests. In other words, what Gorbachev presented was an image of a renewed socialist system.

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Following from this observation, and given what has already been said about the nature of the Soviet crisis, it appears that the motivating force behind Gorbachev's vision of economic change was indelibly linked to two concerns: first, the future of socialism as a viable model of development; and second, the future of the Soviet Union itself as a powerful leader among nations of the world. Indeed, without decisive changes to the country's model of economic development, Gorbachev feared that socialism and the Soviet Union would be advanced as examples of how not to organize a society and, in particular, an economic system.

In order to understand the nature of Gorbachev's vision of economic transformation, at least beyond the very broad strokes painted here, it is necessary to consider the nature of his approach to change. According to Archie Brown, Gorbachev was a pragmatist. In fact, Brown denies any commitment to basic ideological tenets and, therefore, concludes that there was no limit to his pragmatism, no limit

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66 Boris Yeltsin himself expressed this concern quite openly. He professed that "the attractiveness of socialism in recent decades has lost its lustre somewhat ... I am profoundly convinced that without truly revolutionary changes in the political structure of society, the economy, and the social sphere, the prestige of socialism will not rise." See, B. Yeltsin, "Yeltsin Interviewed on Restructuring," Sovetskaya Molodezha, 4 August 1988: 1-3, translated in Foreign Broadcast Information Service (FBIS), 12 September 1988: 55-60.

to the evolution of his thinking. He maintains that the meaning which Gorbachev "[imparted] to the concept of socialism ... changed ... radically over the years", so radically "that he [was] ... a more enthusiastic advocate of the market than many Western European democratic politicians ... There [was] little left that [was] distinctively Communist about Gorbachev's socialism."68 Along somewhat different lines, Jerry Hough characterizes Gorbachev as a "modernizing Westernizing Czar".69 He claims that from the outset Gorbachev followed a conscious strategy or, in Hough's own words, "a policy of directed chaos."70 Indeed, he emphasizes that it is "crucial ... to start from the recognition that Gorbachev had ... a strategy ... Otherwise we assume that he has been lurching from crisis to crisis when in fact things have been flowing quite smoothly -- to some extent, one could say,

68 Ibid., 149.
Along the same lines, Ed Hewett claims the following: "One gets the feeling from the way that [Gorbachev] discusses ideology and the meaning of socialism that he is ready ... to enact anything it takes to make the economy work better, and will call it socialism." See, "The Aftermath of the 19th Conference of the CPSU: A Soviet Economy Roundtable," Soviet Economy 4, no.3 (1988): 206.


according to plan." 71

To approach Gorbachev's vision of economic transformation from either of these two perspectives would produce, at best, an incomplete and, at worst, a misleading impression of his ideas, their nature and their scope. This is true for two reasons. The first reason is that Gorbachev must be considered a product of his society, of Soviet socialism, and of the party from which he rose. 72 It is only from this outlook that it is possible to understand or, more precisely, appreciate the sincerity of his claims. It is only from this outlook, for example, that it is possible to discern the candour of statements like: "I ... am a convinced socialist and in this sense I am deeply committed to socialism. And I


72 Gorbachev himself admits this. He professed that "we are all children of our times. The previous atmosphere, style, work methods, and approaches to analysing and solving problems -- all this also had an impact on us. This is why all of us, from worker to general secretary, must now restructure ourselves." See, M.S. Gorbachev, "Pravda Carries L'Unita Interview with Gorbachev," Pravda, 20 May 1987: 1-3, translated in FBIS, 20 May 1987: R4.

Along the same lines, Stanislav Shatalin, at the time a member of the Presidential Council, stated: "I understand that even [Gorbachev and Ryzhkov], the ones who started restructuring, are not biologically capable, if you will, of changing their philosophy overnight, of shifting from an established way of thinking to new realities. Like everyone else, over a period of decades they absorbed the idea of a rigid plan and a technocratic approach to resolving economic issues." See, S. Shatalin, "The Risk of Shifting to a Market Economy is Less Than the Cost of Standing Still," Izvestia, 21 April 1990: 3, translated in CDSP XLII, no.17 (1990): 4.
don't just believe. It is what I know, it is what I think."\textsuperscript{73}

Therefore, to deny, as Brown does, Gorbachev's belief in the fundamental tenets of socialist ideology -- prime among these predominant state ownership and planning of some sort -- is to disregard the foundation upon which he formulated economic change. The second reason is that, by emphasizing a controlled, Machiavellian strategy, Hough assumes that Gorbachev had virtually complete control over events and, following from this, that he was proactive as opposed to reactive. Given the state of systemic crisis in the Soviet Union and the rapid unfolding of events, especially those which surrounded the nationalities crisis, Hough's assumptions seem unrealistic. Indeed, it is even questionable that Gorbachev conducted reform according to a long-term, deliberate plan. For many Soviet officials, in this case Yeltsin, claimed that "the main trouble with Gorbachev [was] that he ... never worked out a systemic, long-term strategy."\textsuperscript{74}

From these criticisms there emerges two fundamental points, interdependent and intertwined, which are critical to

\textsuperscript{73} M.S. Gorbachev, "Gorbachev Defends USSR Unity to Cultural Group," \textit{Pravda}, 1 December 1990: 4, translated in \textit{FBIS}, 5 December 1990: 44.

\textsuperscript{74} Quoted in Dimitri Simes, "Gorbachev's Time of Troubles," \textit{Foreign Policy} no.82 (Spring 1991): 103. See for a discussion of similar claims, Robert G. Kaiser, "Gorbachev: Triumph and Failure," \textit{Foreign Affairs} 70, no.2 (Spring 1991): 166.
any discussion concerning Gorbachev's vision of economic transformation: first, Marxism-Leninism, adapted to existing Soviet conditions as well as supplemented by seventy years of Soviet historical experience, constituted the conceptual framework within which Gorbachev formulated his vision; and second, for Gorbachev, there was no detailed, concrete, fully formulated strategy nor a consistent design which dictated how future economic, social, and political structures would be constructed. Rather, there was one guiding principle. Indeed, following from the first point, it was quite clear that socialism was his guiding principle, a socialism which was to be revitalized with recourse to Lenin for legitimation; a socialism which was to be modernized and pluralized yet still dedicated to the ideal of one party rule.  

On the basis of what has been discussed above, the focus of this chapter will be upon Gorbachev's approach to the two questions posed in the prior chapter: first, to what extent can the existing system be utilized to secure economic change?; and second, does the entire system itself need to be destroyed?

**THE ESSENCE OF GORBACHEV'S VISION**

There were three distinct, yet interrelated, elements

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75 Gorbachev's recourse to Lenin, although examined briefly here, and his dedication to the Communist Party will be discussed in considerable detail in chapter four.
which comprised Gorbachev's vision of economic transformation. Stated simply, and in the most broadly conceived terms, these three elements were the following: first, de-Stalinization which entailed an increase in economic autonomy and consumption and the dismantling of the centralized command-administrative system; second, de-Brezhnevization which involved the unravelling of the 'tacit social contract' and the renegotiation of the basic relationship between the state and the people; and third, Gorbachev's new socialist economic model (beginning in 1989) which entailed the introduction of market relations and a reevaluation of socialist ownership.

**THE PROCESS OF DE-STALINIZATION**

The first element, the process of de-Stalinization, confronted the question of 'over-centralization', that is Moscow's monopoly of the economy, politics, and culture. At the heart of the shift away from Soviet over-centralization, however, was a two-fold dilemma. On the one hand, from an economic perspective, considerable decentralization was necessary to secure an effective and modern economy. However, this process demanded both impeccable timing and, also, an abundance of resources. Given the nature and severity of the Soviet systemic crisis, the prospect of adequately fulfilling

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76 Although discussed here briefly the interdependence between economic and political transformation will be discussed in greater detail in Chapter 4.
these demands was, at best, problematic. On the other hand, from a political perspective, it was decentralization itself which posed a distinct problem, this because decentralization would threaten not only the stability but, also, the integrity of the state. Indeed, the Soviet Union was not a voluntary federation founded upon common laws, culture, tradition, values, and interests. Rather, it was a multinational empire built by force and sustained in large measure by repression. Decentralization would merely expose and exacerbate the already weak links which bound the empire together. Following from this two-fold dilemma, Gorbachev's greatest challenge became the necessity to achieve an optimal level of decentralization which could secure both a dynamic economy and, also, a stable, ordered state. To be more precise, his challenge was to reconcile two seemingly contradictory goals, namely economic proficiency and political stability.

Gorbachev's initial approach was neither radical nor revolutionary. Stated simply, his vision to accelerate social and economic development on the basis of scientific and

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77 The basic premise behind this observation is that Gorbachev simply did not understand the scope of economic crisis, at least not at this very early stage of reform. Contrary to this assumption Hough maintains that "there is no reason to assume that the program [of acceleration] represented his actual thinking at the time." Rather, Hough asserts that Gorbachev utilized the program as a ploy "in order to build support for more radical reform when it failed." See for this discussion, Jerry Hough, "Understanding Gorbachev: The Importance of Politics," Soviet Economy 7, no.2 (1991): 96.
technological progress marked only an attempt to make the system work better. To be more specific, the concept of 'acceleration' (uskorenie) was predicated on the assumption that planning and economic organization required dramatic improvement rather than fundamental transformation. Accordingly, Gorbachev maintained an emphasis upon heavy industry and upon the role and prestige of engineers, designers, and technologists.\footnote{See, M.S. Gorbachev, "The Fundamental Question of the Party's Economic Policy," Pravda, 12 June 1985: 1-2, translated in CDSP XXXVII, no.23 (1985): 1-6. This emphasis upon heavy industry necessarily implied the neglect of both the agricultural and, also, the consumer goods sphere.} He sustained this hallmark of the Stalinist period because he, like those before him, still believed that the path to an advanced, prosperous economy was via the machine tool industry.\footnote{Presumably, Abel Aganbegyan, Gorbachev's economic advisor during this early period, encouraged Gorbachev to maintain the emphasis upon heavy industry as a means to securing a prosperous economy. Indeed, this was a central theme in Aganbegyan's own work. See, Abel Aganbegyan, "Important Positive Changes in the Country's Economic Life," Ekonomika i Organizatsiya Promyshlennogo Proizvodstva, no.6 (1984): 3-16, translated in The Soviet Review XXVI, no.2 (Summer 1985): 3-16; "The Strategy of Scientific-Technological Progress," Znanie-sila, no.12 (1986): 1-2, translated in Problems of Economics XXX, no.8 (December 1987): 6-22.} What he urged, however, was a switch away from the existing extensive approach to development -- one that was wasteful in its utilization of resources -- and a switch toward intensification -- an attempt to "better [utilize the] accumulated potential" of the
national economy, the potential inherent in both its human and natural resources. How Gorbachev envisioned a more efficient utilization of the 'human factor' will be made clear below. As for the latter element, he implored enterprise managers to utilize raw materials more effectively, for example, by working additional shifts.

Concerning the issue of Soviet planning, Gorbachev maintained that it was necessary to secure a stronger, more disciplined role for the centre. His objective here was a simple one, namely to "[enhance] the effectiveness of centralized management." In order to achieve this objective, Gorbachev endeavoured to narrow the focus of the activities which central economic agencies preformed: on the one hand, to terminate their interference in the day-to-day activities of enterprises and associations; and on the other hand, to redirect their attention to "long-range questions of planning" or, in particular, to "basic priorities and objectives [concerning] the social and economic development of

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82 Ibid., 16.
the country.\footnote{M.S. Gorbachev, "On the Party's Tasks in the Fundamental Restructuring of Economic Management," \textit{Pravda}, 26 June 1987: 1-5, translated in \textit{CDSP XXXIX}, no.26 (1987): 14.} To this end, he endeavoured to streamline the hierarchial structure by merging ministries and agencies that administered similar branches and spheres of activity (to form 'superministries') and by eliminating intermediate bureaucratic structures. Within this framework of greater autonomy for enterprises, Gorbachev also hoped to better utilize the 'human factor'. He believed that expanding the rights of enterprises and introducing economic accountability would enhance "the responsibility, as well as the material interest, of the collective as a whole and of every worker for the final results of work."\footnote{M.S. Gorbachev, "Initiative, Organization, and Efficiency," \textit{Pravda}, 12 April 1985: 1-2, translated in \textit{CDSP XXXVII}, no.15 (1985): 3.} In short, Gorbachev believed that these new circumstances would motivate workers to become more productive, both in quantitative and qualitative terms.\footnote{In relation to this, Gorbachev proclaimed in February of 1986 that he hoped to account for "nearly all of the increase in national income through labour productivity". See, M.S. Gorbachev, "The Political Report of the CPSU Central Committee to the 27th Party Congress of the Communist Party of the Soviet Union," \textit{Pravda}, 26 February 1986: 2-10, translated in \textit{CDSP XXXVIII}, no.8 (1986): 19.}

Up to this point, the discussion above has focused upon the basic components of the acceleration campaign. What is important to consider here is the campaign as a whole. More particularly, it is important to recognize that, during the
course of 'acceleration', there was a distinct reevaluation of the relationship between economic and social reform. In the campaign's early stages (up to and including the April 1985 Plenum), Gorbachev indicated that dynamic change in the economy was to constitute the very basis of social reform. For example, he stated:

Life ... dictates the need for ... the achievement of a new qualitative state of society ... This means, above all, the scientific and technical updating of production and the attainment of the highest world level of labour productivity. It means the improvement of social relations, first of all economic relations.\(^6\)

The central assumption, here, was that economic reform would stimulate change in other spheres of the Soviet system. To be more precise, Gorbachev assumed that economic reform would determine the nature and pace of change in society as a whole. Indeed, he asserted that "the development of Soviet society [would] be determined, to a decisive extent, by qualitative changes in the economy."\(^7\)

What forced Gorbachev to reevaluate this assumption was the realization that Soviet economic hardships were intrinsically linked to a deeper moral, social, and cultural crisis. He asserted:


\(^7\) Ibid. (my emphasis).
The centre and local agencies have been guilty of an underestimation of urgent problems of the material base of the country's social and cultural sphere. As a result, what is... a 'leftovers' principle of the allocation of resources for its development has developed. A certain warping in the direction of technocratic approaches has lessened attention to the social aspect of production... which could not help but lead to a lowering of the working people's stake in the results of their labour and to a weakening of discipline and other negative phenomena.88

In essence, Gorbachev realized that before he could successfully enlist the commitment of the Soviet people to economic reform, it was imperative that he first overcome both public apathy and inertia. In other words, it was necessary to promote social reform as a basis for successful economic transformation. There were three chief targets for social reform: corruption, unearned income (wage levelling), and alcoholism. In each of these three cases, it was Gorbachev's intention to promote better quality work and, more precisely, to secure the creativity and initiative of the 'human factor' in the service of economic transformation. To elaborate, his attack upon corruption marked an effort to reestablish a link between honest work and reward. In so doing, he hoped to rejuvenate popular belief in the fairness of the Soviet socialist system. Similarly, his attack upon unearned income, as will be shown in greater detail later, marked an effort to

reinforce the notion that more efficient, higher quality work merited higher reward. In short, he sought to provide workers with incentive to work more productively. Finally, his attack upon alcoholism marked an effort to combat poor work discipline, industrial accidents, and declining life expectancy among males. This, he hoped, would promote the production of both a higher quality and quality of goods.

Taken as a whole, the campaign of acceleration witnessed little, if any, change as economic transformation proceeded at an excruciatingly slow pace. In response to this, Gorbachev initiated a distinct shift in the emphasis of reform from economic to socio-political. He began with the intensification of glasnost (openness, publicity) and, then, followed with democratization of the party and society. There were three reasons for this shift. First, Gorbachev realized that both the Soviet economic crisis and its causes were deeper than what he had initially anticipated. He confessed that "the task of restructuring has turned out to be more difficult than it had seemed to us earlier, ... the causes of the problems that have accumulated in society are more deep-rooted than we had thought ... [M]ore and more new unsolved problems inherited from the past are coming to light."


Note as well, here, that his confession reinforces an assumption made earlier, namely that the program of 'acceleration' reflected Gorbachev's lack of appreciation for
Second, the shock of the nuclear accident at Chernobyl, which reinforced public scepticism of official reassurances, generated an overwhelming demand for accurate and timely information. Third, there was substantial opposition to Gorbachev's reform agenda, particularly from the bureaucracy and the party. Aleksandr Tikhomirov confirmed this in a 1987 editorial:

[Vladimir Pavlovich Kobaidze], one of the well-known organizers of production in our country, said to us ... "Prepare yourselves, there will be a great struggle." At that time we deleted this phrase from the interview because we reckoned: What kind of struggle can there be if the party has decided? But now we are satisfied that it is indeed a struggle.\(^{90}\)

Gorbachev's initiation of socio-political reform in the face of these obstacles clearly indicates his realization that economic reform could not be successful without political change; in other words, that economic reform could not, by itself, promote the development of Soviet society. Indeed, he asserted that "it [would be] impossible to accelerate our emergence from a state of stagnation without democratization of all our life ... Political reform is a kind of oxygen that

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is necessary for the vital activity of the social organism." Gorbachev realized that circumstances required the promotion of popular participation in the daily affairs of the state. For if decisive and dynamic change -- or, more precisely, genuine change -- was to occur, it was imperative that the Soviet people not only understand the need for economic reform and accept its consequences but, also, be willing to participate in the process. This interdependence between economic and political reform will be discussed in greater detail in the chapter that follows. Suffice it to say that Gorbachev intended political change to function in the service of economic transformation.

In conjunction with the shift in emphasis from economic to socio-political reform, Gorbachev endeavoured to reorient his vision of economic change. To be more precise, he began to understand that he would have to do more than simply improve the manner in which central planning operated. For he concluded that "today, it is the command-administrative forms


92 Gorbachev stated this quite clearly. Indeed, he affirmed that "only the real inclusion of people as responsible subjects of activity in all state and social affairs will make it possible to overcome people's alienation and the gap between common and personal spheres of social life." See, M.S. Gorbachev, "Gorbachev Article on Socialism Published," Pravda, 26 November 1989: 1-3, translated in FBIS, 27 November 1989: 77.
of the management of society that are retarding our movement." Although he was unwilling to abandon the Stalinist emphasis upon central control completely, Gorbachev moved to incorporate a greater degree of decentralization into his vision. This, he hoped, would create the economic conditions necessary for the Soviet people to commit their energy, initiative, and creativity to the state and to the development of a more efficient and prosperous Socialist economic model. In particular, Gorbachev advanced two objectives: first, to increase the autonomy of enterprises vis-a-vis the centre; and second, to promote development in the agricultural sphere as well as greater autonomy in food production.

With reference to the first objective, Gorbachev maintained that enterprises must be afforded the opportunity to determine their own production plans. He asserted that "the plan should be based not on a multitude of detailed plan assignments but on the direct orders placed by state organizations, economic-accountability enterprises, and trade organizations for specific output in appropriate quantities and of the appropriate quality." What is important to emphasize is that his motivation, here, was neither to weaken

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94 Ibid., 13.
nor eliminate the plan itself. Rather, what he endeavoured to strike was a balance between the demands of the Bolshevik tradition and the demands of a market economy. In other words, he sought to strike a balance between state direction -- via a system of state orders -- and enterprise autonomy. This balance produced an awkward overall effect, the reason being that centrally set guidelines and state contracts would determine part of the output while market relations between enterprises and customers would determine the other part. Restated, Gorbachev expected state contracts and control figures from above to influence an enterprise's choice of output even though the enterprise, itself, was supposed to control its own annual plan.

Concerning Gorbachev's second objective, it is necessary to discuss, first of all, what motivated him to introduce agricultural reform at this particular juncture. What is perhaps most important to recognize, here, is that during the acceleration campaign Gorbachev raised the

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95 According to Gorbachev, the "expansion of enterprises' independence and the renunciation of a detailed system of directive indices" would not "lead to a weakening of the planning principle." In fact, the central assumption here was that the elimination of superfluous detail would strengthen the overall effectiveness of state planning. Indeed, as Gorbachev himself stated: "To think that everything can be specified from the centre, in the framework of such a huge economy as ours, is to give way to illusion." See, M.S. Gorbachev, "On Progress in the Implementation of the Decisions of the 27th CPSU Congress and the Tasks of Deepening Restructuring," Pravda, 29 June 1988: 2-7, translated in CDSP XL, no.26 (1988): 13.
expectations of the general population by emphasizing -- or, more precisely, promising -- both economic growth and, also, an improved standard of living. However, the campaign itself was far from capable of fulfilling these expectations. Indeed, the unbalanced investment strategy, which allotted priority to heavy industrial reconstruction over the immediate satisfaction of consumer demands, contradicted the basic premise of the campaign itself and its objectives. For the campaign was predicated on the creation of an environment where the 'human factor' would play an integral role in economic growth and development and, more specifically, where initiative and hard work would be rewarded. Under the guise of acceleration, however, the individual had little incentive to change his/her traditional economic behaviour. Because it took Gorbachev virtually two years to realize the ineffectiveness of this original approach, both he and the reform process itself lost credibility. What Gorbachev hoped to do at this juncture, therefore, was appease the Soviet consumer with an abundance of agricultural goods and, in effect, recapture some of that lost credibility.

Before considering the nature and scope of the change which Gorbachev envision in the agricultural sphere, some attention should be paid, here, to the political dangers surrounding the process itself. What was most problematic was the fact that reform in this area demanded a distinct redefinition of the Soviet socialist project. Gorbachev
himself openly acknowledged this, claiming that "in the final analysis, the elaboration of an up-to-date agrarian policy is inseparable from the shaping of new notions about socialism as a whole and about its social and economic prospects." Indeed, Gorbachev feared the repercussions of this redefinition, namely opposition from not only party elites but, also, the general population.

There were two fundamental concepts inherent to Soviet socialism which substantive agricultural reform would challenge: first, socialist property; and second, the basic tenets of the 'social contract' or, in particular, the nature and scope of subsidies. The party elite opposed the redefinition of the former for two reasons. On the one hand, from an ideological perspective, it threatened Soviet socialism with the introduction of private property and the promotion of private interests. The party elite necessarily rejected this. On the other hand, from a 'realpolitik' perspective, the party elite understood economic power to rest on ownership and political power to rest on economic power. The redefinition of socialist property in conjunction with

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97 It must be noted (although this will be shown later) that, despite Gorbachev's utilization of 'private interests', he never seemed willing to ideologically accept private ownership, per se.
economic decentralization thus posed a serious threat to Moscow's political power over the republics, a threat which the party elite took seriously. It was the general population which opposed the redefinition of the latter concept, namely, the basic tenets of the 'social contract'. This contract had ensured stable, low prices for most basic goods, including bread, meat, and milk. Agricultural reform threatened the general population with the elimination of, or at least a reduction in, price subsidies and, therefore, with a substantial rise in prices. In other words, it threatened them with an elimination of their traditional benefits.

Gorbachev would have been well aware of this potential resistance -- in other words, well aware of the political dangers tied to agricultural reform -- for two reasons. First, party elites, such as Ligachev, openly expressed their views, especially their disapproval of private property and the threat that it posed to the institution of socialism. Second, there were communist countries in Eastern Europe which

98 See for example, Ye. K. Ligachev, "Get Down to Work Without Wasting Time," Pravda, 6 August 1988: 2, translated in CDSP XL, no.31 (1990): 5-6; "Report by Ye. K. Ligachev, Member of the Politburo and Secretary of the CPSU Central Committee," Pravda, 5 July 1990: 2, translated in CDSP XLII, no.29 (1990): 10-12; and "Replies by Ye. K. Ligachev, Member of the Politburo and Secretary of the CPSU Central Committee," Pravda, 11 July 1990: 5-6, translated in CDSP XLII, no.33 (1990): 18-19.
had witnessed social unrest in response to price increases. These countries would have served as models for Gorbachev. Knowing that he was aware of the potential for resistance is important. Stated simply, this recognition helps to explain why he exercised caution and hesitated, particularly with respect to the issue of subsidies (and thus agricultural reform).  

Turning toward Gorbachev's vision of change in the agricultural sphere, what must first be noted is that he placed considerable emphasis upon achieving tangible change quickly. He emphasized that "a full supply of food ... must [be accomplished] in the shortest possible time." There are two observations which should be made with regard to this reference. On the one hand, it indicated that Gorbachev

99 Poland, for example, in 1980 experienced popular uprisings as a direct result of an increase in the price of meat.

100 As well, his perception of these political dangers helps to explain why he did not begin, as did Deng Xiaoping in China, with agricultural reform. It seems reasonable to assume that Gorbachev delayed agricultural reform until he was better able to contend with its repercussions. To be more precise, it seems reasonable to assume that, during the acceleration campaign, he hoped to amass greater public support for the reform process itself by achieving an immediate and noticeable improvement in the standard of living. This support would have helped him counter, or at least mitigate, the opposition from party elites.

realized the urgent need for immediate and resolute change in the agricultural sphere. Indeed, he went so far as to claim that such resolute change would have a 'ripple effect', at once easing economic, political, and social tensions; and, conversely, that 'stagnation' in the agricultural sphere would "ruin the whole of restructuring and seriously destabilize society." On the other hand, the reference to such a limited timeframe indicated that Gorbachev would seek only to make the system work better, to motivate change but change within the existing system. For radical change would have required a considerably longer period of time given the potential opposition, especially from party elites.

In essence, two fundamental elements comprised Gorbachev's vision of change in the agricultural sphere. The first one focused upon the social structure of the countryside. Here, he openly conceded the "countryside's profound and chronic lag behind the city". Gorbachev assessed that "disregard for the needs of the countryside and the hypertrophied development of the cities led to major social distortions and complicated the normal functioning of

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the economy in entire regions." Accordingly, he maintained that it was necessary to augment both municipal services and, also, social and production infrastructure in the countryside. The former involved "the extensive construction of schools, hospitals, and cultural and sports institutions, as well as trade and consumer-service enterprises"; while the latter involved the construction of housing, roads, and storage and processing facilities. Solely upon the basis of this 'within system' change, he appeared confident that there would be an increase in production. In fact, Gorbachev claimed that "if we set up the person on the land and gave him the opportunity to store and process what we now have, that would be the shortest route to quicker returns." In broad terms, then, by promoting the development of social and production infrastructure, as well as municipal services, Gorbachev aimed to reinvigorate and revitalize not only the agricultural

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104 Ibid.

105 Ibid., 15.


system itself but, also, those who participated in it.  

Following from this, the second fundamental element focused upon the individual. For the individual became the centrepiece in his efforts to modernize the agricultural system\(^{109}\), the centrepiece because Gorbachev endeavoured to provide the necessary conditions for the development of the individual's skills. He maintained that "the first thing is to untie the peasant's hands and give him at last the opportunity to work independently."\(^{110}\) To be more precise, Gorbachev sought to secure the conditions necessary to nurture and, then, harness the commitment, creativity, and initiative of individuals. In broad terms, he aimed to do so by reducing

\(^{108}\) According to Gorbachev, "progressive, intensive technologies" would also play an integral role in this effort to reinvigorate and revitalize. In fact, he emphasized that an increase in the technical level of agriculture was a necessary, although not a sufficient, prerequisite for progress in agricultural reform. See, M.S. Gorbachev, "Developing Leasing, Restructure Economic Relations in the Countryside," Pravda, 14 October 1988: 1-4, translated in CDSP XL, no.41 (1988): 1-6.

\(^{109}\) Stated simply, Gorbachev "[relied] on the individual, on his interest, on his independence, on his initiative and responsibility, on his civil feelings and his stance as a citizen." How he endeavoured to secure these characteristics and to utilize them in the service of economic reform will be explained in the discussion to follow. See, M.S. Gorbachev, "Gorbachev Addresses Agro-Industrial Meeting," Moscow Television Service, 13 May 1988, translated in FBIS, 17 May 1988: 84.

state control over agriculture\footnote{This implied that emphasis be "placed on economic methods of management and on expanding the independence and increasing the responsibility of collective farms and state farms for the final results of their activity." See, M.S. Gorbachev, "The Political Report of the CPSU Central Committee to the 27th Congress of the Communist Party of the Soviet Union," \textit{Pravda}, 26 February 1986: 2-10, translated in \textit{CDSP} XXXVIII, no.8 (1986): 14.} and, in more specific terms, by fundamentally changing the individual's attitude toward the use of the land.\footnote{Gorbachev claimed that this change in the attitude of individual's toward the land was in fact the \textit{main thing} or, in essence, a \textit{prerequisite} to successful reform in the agricultural sphere. See, M.S. Gorbachev, "A Time For Action, a Time For Practical Work," \textit{Pravda}, 18 September 1988: 1-3, translated in \textit{CDSP} XL, no.38 (1988): 3 (my emphasis).} According to Gorbachev, there were two 'main levers', the lease contract and the cooperative, which would best be able to secure this change in attitude. He placed particular emphasis upon the former. For it was the lease contract, he claimed, that would "release the great power of the people's creative endeavour ... raise high the dignity of the individual, and develop the individual's sense of mastery."\footnote{M.S. Gorbachev, "Gorbachev Addresses Agro-Industrial Meeting," \textit{Moscow Television Service}, 13 May 1988, translated in \textit{FBIS}, 17 May 1988: 84. As well, Gorbachev emphasized that, with the lease contract, "financial autonomy [attained] ... its greatest expression and embodiment." See, Ibid.}

As discussed earlier, Gorbachev was hesitant in his approach to change in the agricultural sphere, in part, because he feared resistance from the party elite. It is
important, therefore, to consider how he attempted to legitimize the challenge to the traditional views on socialist ownership, in particular that which family and individual leasing posed. He endeavoured to do so in a two-fold manner. First, Gorbachev appealed to Lenin, claiming that via leasing "[Lenin's] idea of the active involvement of personal interest can be realized most fully." This link which he established between Lenin and the idea of 'personal interest' is an important one. For it revealed an effort to legitimize 'personal interest' within the boundaries of socialism. In more precise terms, it revealed an effort to legitimize family and individual leasing within the boundaries of socialism; this because these types existed outside the traditional framework of the sovkhoz (state farm) and kolkhoz (collective farm) and, thus, epitomized the active involvement of 'personal interest'. Second, Gorbachev emphasized that, in the case of either a family or individual lease, the proprietor(s) would "operate on land that is public property [and] ... so

114 Gorbachev’s appeal to Lenin was an important element in the formulation of his vision. This importance will be discussed in greater detail in the chapter that follows.

[would] be working in the interests of socialism."\textsuperscript{116} In other words, it was Gorbachev's understanding that if leasing could provide individuals with greater incentive to work harder and more productively -- this, as noted above, by motivating the active involvement of their personal interest -- then so much the better for Soviet society as a whole and, therefore, for socialism as well. Indeed, he made a conscious effort to emphasize the \textbf{tangible results} of leasing, results which would promote the renewal and the stability of Soviet socialist society.\textsuperscript{117} To be more specific, he claimed "that, in a relatively short time period, harvest yields and livestock productivity [would] be raised rapidly, labour productivity improved substantially, losses reduced, and good-quality products obtained."\textsuperscript{118} This emphasis upon tangible results served both to redress the ailments of the old order and, also, to create the image of abundance and material satisfaction.


\textsuperscript{117} Gorbachev went so far as to portray leasing as the answer to virtually all problems in the agricultural sphere. See, M.S. Gorbachev, "Gorbachev Addresses Agro-Industrial Meeting," \textit{Moscow Television Service}, 13 May 1988, translated in \textit{FBIS}, 17 May 1988: 85.

At this point, what is important to consider is the extent to which these 'levers' -- the lease contract and the cooperative -- represented a radical departure from the existing system; in other words, the extent to which these 'levers' were set apart from, and advanced as viable and distinct alternative to, the traditional sovkhoz and kolkh...
Gorbachev conveyed here implied that change would be restricted, that it would remain within the traditional framework. This was true for two reasons. The first one was that Gorbachev's ambiguity cast doubt upon the sincerity of his commitment to the individual and family farm. Indeed, if individuals could not be certain of his commitment, then they could not be certain that individual or family farms would not be revoked in the future, especially given the Soviet past. The second reason was that Gorbachev's ambiguity provided incentive to sovkhoz and kolkhoz members not only to discourage but, also, to prevent individuals from leaving the larger, traditional framework in order to establish their own farms.

Thus far, the discussion has focused upon the 'micro' components of Gorbachev's effort to de-Stalinize, to decentralize, to de-statize. At this point, the 'macro' element must be discussed. To do so, it is necessary to examine the following: on the one hand, Gorbachev's understanding of the Soviet empire or, more precisely, the nationalities question; and on the other hand, his attempt to


There was further doubt cast on the sincerity of Gorbachev's commitment when he appointed Ligachev to a post overseeing agricultural reform. As noted earlier, Ligachev had clearly indicated his dedication to promoting the potential of the sovkhoz and kolkhoz and his aversion to private property of any sort.
reconstitute the Union and redefine the nature of relations between the centre and the republics. Arguably, this 'macro' element proved to be the most important because it embraced the fundamental terms of existence for the Soviet state and, therefore, controlled the very destiny of perestroika itself.

Yuri Afanasyev, at the time a member of the USSR's Congress of People's Deputies, commented: "We built our economy on the basis of the idea that we had created a new social society without nations, a new nation called the Soviet people." Contrary to what some analysts claim, it seems that, when Gorbachev became General Secretary in 1985, he believed in the existence of this 'new nation' and, therefore, in the existence of a harmonious Soviet state. Furthermore, it seems that, even after the outbreak of national discontent, Gorbachev found it difficult to dispel the notion of a 'Soviet

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123 Jerry Hough, for example, asserts that Soviet propaganda concerning the existence of national harmony had not fooled Gorbachev but, rather, the Russians. As a result, Hough claims that Gorbachev made a deliberate decision "to let unrest in the republics ... go to an extreme. One purpose was to let off steam in the non-Russian areas. A second purpose was to end any illusions among Russians about the contentment of the non-Russians and make them understand the threat to the integrity of the country." Hough further claims that "Gorbachev was deliberately stimulating national unrest and a sense of disorder to produce a public demand for a strong leader and for order." See, Jerry Hough, "Gorbachev's Endgame," World Policy Journal (Fall 1990): 639-672; and "Understanding Gorbachev: The Importance of Politics," Soviet Economy 7, no.2 (1991): 89-109.
man', a Soviet nation. There are two reasons which suggest this to be true. First, during the early stages of reform, Gorbachev neither indicated that nationality policy would be part of his reform agenda nor did he indicate that there was any need to reassess it. Not only did he fail to anticipate the inevitable agitation of the nationalities question in the face of socio-political reform but, also, he underestimated its potential explosiveness. Indeed, Gorbachev himself acknowledged this lack of foresight. He confessed:

We did not recognize the significance of this problem at once, we did not see the latent danger at the time ... these questions were examined as if they had been resolved long ago and as if the situation, generally speaking, was normal. ... We turned out unprepared for what happened when extremely serious problems that had long been accumulating behind the facade of apparent well-being exploded and burst out into the open.

Second, even amid widespread recognition of a nationalities crisis, evidence of Gorbachev's continued belief in the idea of a 'Soviet nation' emerged. Thus, despite his professions "that people must feel that even if their nation is small in

124 Under conditions of diminishing central authority, the explosiveness of the nationalities question lay particularly with the coincidence of grievances, therefore, grievances not only national in character but, also, economic and environmental. The Baltic nationalists, for example, cited the environmental deterioration of their region as evidence both of Moscow's mismanagement of their economic development and, also, of the intrusion of the Russian dominated empire into Baltic territory.

125 M.S. Gorbachev, "Advance Further Along the Path of Restructuring," Pravda, 3 July 1990: 2-4, translated in CDSP XLII, no.27 (1990): 8 (my emphasis).
number they have a raison d'etre here"\textsuperscript{126}, he still pleaded: "When will we stop dividing things into red and white, black and white, blue and so on? We are \textbf{one country, one people}."\textsuperscript{127}

For the purposes of this discussion, the reemergence of the nationalities question is particularly significant because it demanded the reconstitution of the Soviet federal structure. From Gorbachev's perspective, the point of departure, here, was the de facto status quo. In other words, it was the existence of the Soviet Union itself, regardless of its historical origins. Within this context, he stressed the benefits of economic cooperation and the mutual economic dependence of the republics. He asserted:

Enormous opportunities for our growth and for improving the well-being of all the country's peoples can be found in the pooling of efforts in the common interest. ... It must be said ... emphatically that the strength of the Union should be grounded in the strength of the republics ... and in their independence, initiative and active participation in common tasks.\textsuperscript{128}

Moreover, he emphasized that "our economy is such that nowhere


\textsuperscript{127} Ibid., 45.

enjoys such cooperation and integration as we have here." \(129\) Above all, however, Gorbachev endeavoured to reinforce the republics' tie to the centre, a tie which he claimed was irrevocable. He maintained that "all republics have a **vital stake in a strong centre** that is capable of ensuring the accomplishment of nationwide tasks." \(130\) Indeed, Gorbachev deliberately sought to solidify this tie, and to engender each republic with a greater stake in the federal system, by augmenting the republics' role in domestic and foreign decision-making. \(131\) To be more precise, Gorbachev believed that, by involving the republics in Soviet state affairs, republican elites would channel their aspirations and ambitions away from republican-based authority and toward all-Union-based authority.

In broad terms, then, Gorbachev's vision of the Soviet federal state revolved around two integral ideas. The first one was that the union should consist of strong republics and

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a strong centre.\textsuperscript{132} Even though Gorbachev may have
d"emphatically condemned supercentralism"\textsuperscript{133}, he did not
condemn centralism. The second one was that Russia would form
the "backbone" of the federation, this because "if there [was] no Russia there [would be] no Union."\textsuperscript{134} What is particularly
interesting about these ideas is their intertwined and
interdependent nature. To be more precise, it is significant
to observe the coincidence of roles which Gorbachev accorded
to the centre and to Russia. On the one hand, Gorbachev
asserted that the centre must "preserve the state as a living
organism so that this benefits all republics."\textsuperscript{135} In other
words, a strong centre was necessary for both strong republics
and, also, a strong Soviet state. On the other hand, he
commented upon the Russians in the following manner: "There is
no justification for any people to reproach the Russians for
\textsuperscript{132} The decentralization of economic power inherent in
the effort to create strong republics was as much politically
motivated as it was economically. Indeed, given the state of
the economy and the slow pace of economic reform, Gorbachev
was more than willing to extend economic rights and
responsibilities to the republics in order to alleviate some
of the pressure upon both the central government and, also, the party.

\textsuperscript{133} M.S. Gorbachev, "Toward Full Power For the Soviets
and the Creation of a Socialist State Based on the Rule of

\textsuperscript{134} M.S. Gorbachev, "Gorbachev Defends USSR Unity to
Cultural Group," \textit{Pravda}, 1 December 1990: 4, translated in
\textit{FBIS}, 5 December 1990: 47.

\textsuperscript{135} Ibid.
being inhuman or for lacking understanding for other peoples. The Russians have never been plunderers of other peoples. They always shared what they had."\textsuperscript{136} From this he concluded that "Russia's plight must become our common plight."\textsuperscript{137} Stated simply, from Gorbachev's perspective, it was necessary to ensure a strong, prosperous Russia. For this, in turn, would promote a community of equally strong and prosperous republics and, as a result, a strong Soviet state.

\textbf{THE PROCESS OF DE-BREZHEVIZATION}

As indicated at the outset of this chapter, the second element of Gorbachev's vision revolved around the process of de-Brezhnevization. To consider this element, it must first be recalled that the Brezhnev tacit 'social contract' established a mutual commitment between the regime and the Soviet population to deliver very basic, yet valuable, political goods. For the former, this entailed the comprehensive provision of social and economic security while, for the latter, political compliance and quiescence. Gorbachev sought to unravel this social contract, and in so doing, reestablish his own version, one which would promote the conditions necessary to advance the reform process. In other words, one

\begin{flushleft}
\begin{itemize}
\item \textsuperscript{136} Quoted in A. Gamov, "Gorbachev Stresses Russia's Role in Union," Sovetskaya Rossiya, 19 December 1990: 1, translated in FBIS, 20 December 1990: 44.
\item \textsuperscript{137} Ibid.
\end{itemize}
\end{flushleft}
which would promote the conditions necessary to activate the skill, creativity, and initiative of the Soviet people in the service of reform. In short, Gorbachev endeavoured to establish a 'social contract' which would help promote the modernization of the Soviet socialist state. As discussed earlier in this chapter, he realized that, in order for modernization to take place, the people must feel a part of the decision-making process, must have a stake in the process of reform, and must have a strong, legitimate tie to the state. Thus, it was precisely these objectives which he sought to secure.

Overall, Gorbachev's 'social contract' focused upon "uniting and rallying society for perestroika."\textsuperscript{138} In particular, it focused upon the Soviet worker and upon how to best motivate and invigorate the worker and his/her interest. According to Gorbachev, the worker's role was of paramount importance for two reasons: first, in practical terms, he ascertained that their "views, attitudes, and position [would] determine the success of [reform];"\textsuperscript{139} and second, in ideological terms, given his overarching objective to revitalize socialism, he clearly emphasized that the central


figure in the Soviet system must be the worker because if "the working person [was] forgotten [the system could not] be called socialism."\(^{140}\)

However, Soviet circumstances, conditioned both by the nature of the command system and, also, by the scope of economic crisis, confronted Gorbachev with a two-fold dilemma. On the one hand, workers had long been accustomed to obediently carrying out orders from above. Within this context, initiative and creativity were, at best, discouraged and, at worst, punished. As a direct result, the Soviet work ethic became stifled. On the other hand, given the above, shortages in both consumer goods and foodstuffs further complicated matters because it provided workers with no incentive to increase their labour productivity. Indeed, they no longer seemed willing nor content to work toward the much heralded 'Soviet future' because this future never materialized. What best captured these sentiments was the slogan: 'They pretend to pay us and we pretend to work.' In effect, the worker refused to improve the quantity or quality of his/her labour until there was something tangible offered in return. Problematic, of course, was the fact that without a dramatic increase in labour productivity there would continue to be a lack of tangible goods.

\(^{140}\) M.S. Gorbachev, "Gorbachev Airs Personal Feelings on Reform," Pravda, 1 December 1990: 4, translated in CDSP XLII, no.48 (1990): 2.
Gorbachev's concern about these two dilemmas clearly motivated his criticism of the Brezhnev 'social contract'. His first criticism revolved around the contract's inability to promote economic efficiency. Gorbachev asserted that income equality or wage levelling was the "main hinderance to [Soviet] development"\(^{141}\), creating obstacles to scientific and technological progress and undermining the incentive role of pay. He further asserted that retail price and production subsidies -- both hallmarks of the Brezhnev 'social contract' -- were "economically unjustified"\(^{142}\) and, thus, generated an "abnormal" situation in the economy.\(^{143}\) According to Gorbachev, these subsidies not only "[undermined] incentives for the production of ... products" and "[engendered] a spendthrift attitude toward them"\(^{144}\) but, also, placed an unwarranted strain on the state budget, in effect, aggravating


\(^{144}\) Ibid.
the deficit. Gorbachev's second criticism concerned the moral and ideological deviations of Brezhnev's 'social contract'. On the one hand, he repudiated its basic principles of universal state provision on the grounds that they were morally debilitating for the Soviet economy. To be more precise, he claimed that these principles fostered a psychology of dependence, at once stifling initiative and frustrating aspirations for greater independence. The "harmful" manifestation of this dependence was, according to Gorbachev, "faith in a 'good czar', an all-powerful centre, in the expectation that someone will establish order from above and organize restructuring." On the other hand, he repudiated the contract's basic principles of egalitarian distribution on the grounds of its ideological deviations. He claimed that, in the face of these principles, "the basic principle of socialism, 'from each according to his abilities, to each according to his work', was frequently sacrificed in practice to an oversimplified understanding of equality."

Stated simply, he believed that adherence to principles of


egalitarian distribution was fundamentally unjust, this because they failed to recognize and reward an individual's superior ability, effort, or contribution to the economy and society.

On the basis of these criticisms and in an effort to disentangle himself and the fate of perestroika from the two dilemmas outlined above, Gorbachev reformulated the Brezhnev 'social contract'. On behalf of the state, he offered workers the following: first, wages which reflected the quality and quantity of an individual's contribution; second, greater input in economic decision-making; third, increased funding for new housing as well as social and culture establishments; fourth, greater access to higher quality consumer goods and foodstuffs; and fifth, new legislation

148 This will be discussed in greater detail below.


designed to protect workers' rights\textsuperscript{152}. In return, workers were expected to extend to the state two things: first, support for the process of reform and commitment to socialist renewal; and second, a dramatic increase in both the quantity and, also, the quality of production.

Although the terms of Gorbachev's new 'social contract' are significant, the key to achieving a sound understanding of the contract and its intended results is based upon two mutually dependent things: on the one hand, the basic principle of socialism, 'from each according to his abilities, to each according to his labour'; and on the other hand, the importance of quality labour, for Gorbachev perceived that "perestroika [was] linked first and foremost with labour, creative, intensive, and highly productive labour, in which all one's strength and knowledge are applied."\textsuperscript{153} Contrary to the Brezhnev 'social contract', Gorbachev believed that, given the state of systemic crisis in the Soviet Union, social and economic security was simply not compatible with political compliance and quiescence. Rather, it required a rejuvenated sense of civic duty. Stated simply,


this sense of civic duty began, first and foremost, with a worker’s commitment to disciplined, responsible, creative, and productive labour.154 At the micro level, this commitment played an integral role in the achievement of social and economic security for the individual; this because, as Gorbachev emphasized, "labour alone ... [must serve as] the basis of the material and moral status of a person in socialist society."155 At the macro level, this commitment to quality labour also played an integral role in the achievement of social and economic security for society as a whole. According to Gorbachev, the "correct and consistent" application of the basic principle of socialism would determine the size of national wealth and that, in turn, national wealth would determine the level of social safeguards in society.156 In essence, social and economic security for society as a whole, then, became a function of the quality of an individual’s labour. Indeed, Gorbachev himself claimed that "by protecting the rights of the highly productive workers ... we will be able to steadily raise the ceiling of minimum


social guarantees."¹⁵⁷

There were three substantive issues in particular which played a significant role in Gorbachev's reformulation of the Brezhnev 'social contract': first, employment security; second, wage reform; and third, price reform.¹⁵⁸ With reference to the first issue, it must be noted that Gorbachev appeared well aware of the impact that a more modern and efficient economy would have upon Soviet society. He admitted that "in conditions of accelerated scientific and technological progress, the scale on which employees will be released will grow significantly."¹⁵⁹ This threat of widespread unemployment posed a concerted threat to Gorbachev's campaign for economic change, particularly in social terms. The reason for this was that, as part of his own 'social contract', he offered workers a guarantee of job


¹⁵⁸ It is worth noting that, in the broader context of reform, these issues were particularly significant. In the case of the first one -- unemployment security -- successful economic reform would have a dramatic, even drastic. In the case of the latter two, successful economic reform required that there be a marked change from the practice of the status quo.

Security. Socially, then, large scale unemployment threatened the very foundation of his contract with workers and, thus, posed the risk of considerable unrest and upheaval, especially in urban areas where industry was located. In short, this opposition would, at best, slow the progress of perestroika and, at worst, paralyse it completely. In the face of this prospect, Gorbachev was defensive in his approach to the issue of job security. He made every effort to stress that the new economic mechanism would be capable of generating opportunities for work and, therefore, would be able to absorb any released workers. For example, he claimed that "requirements for labour resources [would] grow in the sphere of services, culture, education, public health, and recreation." Furthermore, in the agricultural sphere, he maintained that "seasonal unemployment [could] be significantly relieved by the development of auxiliary production facilities and crafts, as well as the opening of branches of industrial enterprises, especially in consumer goods."

With reference to the second issue, wage reform, it

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161 Ibid.

must be emphasized that Gorbachev's rejection of wage levelling represented a deliberate effort to change the worker's attitude toward not only labour itself but, also, life and society.163 He claimed that this could be accomplished in only one manner, simply "by including them in a real way in restructuring processes."164 As has already been discussed, Gorbachev realized that perestroika's success depended upon whether the people established a stake in the process itself. In essence, he believed that this stake began, first and foremost, with the provision of incentives, incentives which would motivate the 'human factor' to work harder and more efficiently in the service of economic reform. This subsequent change in attitude toward work would, furthermore, according to Gorbachev, generate a more positive outlook toward life and society as a whole. As discussed earlier, he assumed that the provision of material incentives would promote greater labour productivity and, as a result, higher levels of both national wealth and, also, social benefits and guarantees. Stated simply, Gorbachev believed that a change in attitude toward work would have a tangible -- and, indeed, an easily observable -- effect upon Soviet society and, consequently, would encourage workers to believe


164 Ibid.
in the necessity of perestroika as a key to secure a prosperous, socialist future.

In more specific terms, Gorbachev asserted that "the policy of the state in the field of wages must ensure the strict dependence of wages on the quantity and quality of labour." What must be noted, here, is that Gorbachev sought to motivate the production not only of more goods and better goods but, also, of products which reflected the demands of the consumer. Accordingly, he argued that the size of the wage fund should be linked directly to output sales. He even went so far as to claim that "if no final output is obtained [and] no profit is formed [then] ... no one is paid." Overall, Gorbachev's efforts in this area reflected his desire to expose the potential of the Soviet system. Stated simply, he believed that "once enterprises [began] to seriously tackle the improvement of the organization of labour and incentives and increase discipline and exactingness, they [would] uncover


166 Ibid., 17.

reserves that they never suspected they had"; this because the "[creation of] a new economic environment for man, for the worker" would engender interest in the results of work and, as a result, would "put an end to the 'eating up' of resources." In other words, Gorbachev believed that wage reform would play an integral role in his endeavour to transform the Soviet strategy of economic growth from an extensive to an intensive one.

The third, and final, issue to be discussed, here, is the very controversial one of price reform. It was evident that Gorbachev understood the critical significance of this issue. In fact, he considered it to be the linchpin of the reform process and, thus, integral in the determination of perestroika's success or failure. He claimed that "a radical reform of price formation [was] a very important component of the restructuring of economic management, without [which] a complete changeover to the new mechanism [was] impossible." In other words, Gorbachev realized that if prices were not

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made compatible with production costs, industrial self-financing would prove to be a fruitless endeavour.

However, as has already been noted earlier, Gorbachev was extremely hesitant and cautious in his approach to this issue. Recall that this caution reflected his concern surrounding the extent to which the general population would accept price reform and, more precisely, his fear of the political costs involved if such reform generated widespread public disapproval. In order to best understand Gorbachev's hesitation, it is necessary to examine why this issue was so very controversial. In essence, extensive price reform required the abandonment of Brezhnev's social policies which had maintained the prices of necessities at nominal levels. This posed a distinct problem. First of all, the low and stable subsidized prices for necessities represented one of the most reliable, tangible, and esteemed assurances that the regime had secured for its people. Moreover, and perhaps most importantly, the level of state subsidies had increased considerably over the years in order to cover rising production and procurement costs. Thus, if subsidies were eliminated and prices rationalized, consumers would be forced to account for these accumulated cost increases. In effect, prices for many basic goods would double.

According to Gorbachev, the most severe political cost, of course, would have been the alienation of the Soviet people from the project of perestroika as a whole.
Given the extremely controversial nature of this issue, then, Gorbachev made every effort to assure the Soviet population that price reform would not lead to a deterioration in living standards and, in fact, would not have any direct impact on the consumer at all. Indeed, he declared emphatically that "the change in retail prices should in no instance be accompanied by a lowering of the people’s standard of living."\textsuperscript{172} Here, Gorbachev promised to transfer the amount of money which the state spent on subsidies directly to the population as compensation. The "population [therefore] would lose nothing."\textsuperscript{173} Even when the issue of price reform was set aside in 1989, Gorbachev made every effort to soothe the people’s fears. This time he guaranteed that the issue would not be concluded without substantial input from the general population. He claimed that "this [was] the kind question which must be resolved by all of society" and that the "Soviet people should be confident that such decisions [would] not be adopted without them."\textsuperscript{174}

As a final note on this issue, what must be examined


\textsuperscript{173} Ibid.

is Gorbachev's choice to set price reform aside: Did it, in fact, mark a full-fledged retreat or, rather, an opportunity to regroup and wait for a more favourable time? Following from Gorbachev's comment above, and given his understanding of the imperative need to introduce price reform at some point (preferably early), it appears as though his choice reflected the latter of the two scenarios. Indeed, on the basis of Larisa Piyasheva's observation -- simply, that the "[workers and peasants were] all frightened by the market which they [interpreted] only as price increases, inflation, and unemployment"  
175 -- it seems reasonable to assume that Gorbachev set the issue of price reform aside in order to first achieve some tangible gains in the economy. These gains, he hoped, would bolster popular support for perestroika and would engender faith in the Soviet future. Under these circumstances, Gorbachev believed that the introduction of price reform would generate less opposition and, therefore, increase the probability of success. From his perspective, then, delaying price reform was a matter of practical, political necessity.

GORBACHEV'S NEW MODEL OF SOCIALISM

The third element of Gorbachev's vision which must be

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examined is his new model of socialism. To begin, it has been noted that his overarching objective was to create and encourage a sense of personal involvement in the Soviet economy -- in its performance -- and, therefore, in the process of perestroika. Furthermore, it has been noted that, within the context of this objective, he placed particular emphasis upon labour, upon the quantity and quality of an individual's contribution. Gorbachev's move toward the redefinition of the economic face of socialism (beginning in 1989) did not mark a break with this objective. Rather, the move marked its continuation. For the redefinition of 'socialist economics', in its most simple terms, represented an effort to change the nature of the socialist economic model from a production oriented to a consumer oriented one. In essence, this redefinition focused upon two things: first, the formation of a socialist market; and second, the development of diverse forms of socialist ownership.

Gorbachev claimed that the "critical nature of the social and economic situation"\(^{176}\) or, more precisely, the instability of the two spheres promoted the necessity to redefine the socialist economic model. He isolated the following problems in particular: first, a 'maladjusted' consumer market, characterized by shortages and panic buying,

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\(^{176}\) M.S. Gorbachev, "Advance Further Along the Path of Restructuring," Pravda, 3 July 1990: 2-4, translated in CDSP XLII, no.27 (1990): 5.
which had incited both discontent and social tension in society; and second, budget expenditures which were growing at a rate faster than that of national income. Given the severity of these problems, Gorbachev concluded that if they continued to cling to the command-administrative system, content to simply mend and patch it, the country would be lead into bankruptcy. What is particularly significant about this assertion is that it escalated the nature and scope of economic crisis, in effect, edging it away from that of just effectiveness and toward one of sheer survival.

In response to this escalating crisis, Gorbachev

Gorbachev attributed these difficulties to his own policies, in particular that of the anti-drinking campaign. This campaign resulted in a drastic decline in retail sales of alcohol, a dramatic increase in moonshine production, shortages and rationing of sugar (as a direct result of the increase in moonshine production), and the lack of availability of numerous products containing alcohol. Compounding this situation was a decision (in response to a foreign exchange shortage) to reduce imports of food and manufactured consumer goods. See, M.S. Gorbachev, "Provide an Ideology of Renewal for Revolutionary Restructuring," Pravda, 19 February 1988: 1-3, translated in CDSP XL, no.7 (1988): 7.


This is another example of an attempt to create the impression of 'no alternative'. In other words, an example of an attempt to portray the severity of economic crisis in such a way as to reinforce the notion that there was no choice but to institute a move toward the market.
asserted that it was of fundamental importance to improve the conditions of day-to-day Soviet life. Gorbachev's motives, here, were both practical and, also, strategic: on the one hand, practical because an improvement in living standards was necessary to provide individuals with incentive to work harder and more productively; and on the other hand, strategic because popular commitment to, and support for, perestroika in general, and Gorbachev's new social contract in particular, was rapidly dwindling. Evidence of this latter point was apparent. Not only were there a growing number of strikes and labour slowdowns but, also, continued poor work discipline and absenteeism. Rather than viewing perestroika as a long term endeavour to modernize and renew the Soviet economy and society as a whole, it appeared that workers had interpreted the process as an immediate means to more consumer goods and foodstuffs. From their perspective, Gorbachev's new 'social contract' had promised greater access to these goods and, yet,

181 Gorbachev clearly acknowledged this: "When store shelves are empty, cash earnings lose their value. People cannot find the goods they need to convert their income into tangible assets, and as a result they lose their interest in intensive, highly productive labour...." See, M.S. Gorbachev, "On the Path to the Market," Pravda, 18 September 1990: 1-2, translated in CDSP XLII, no.38 (1990): 2 (my emphasis).

182 In the year 1989, 7 million working days were lost.
they had not materialized.\textsuperscript{183} Insofar as this was true, workers had misunderstood the nature of the contract, misunderstood because Gorbachev demanded their committed support to a process that would not last two or five years but, rather, ten or fifteen years or even longer. In response, Gorbachev evaluated these strikes and slowdowns as the "gravest test since perestroika was launched."\textsuperscript{184} Indeed, workers' strikes challenged the legitimacy of more than just the new 'social contract'. They challenged the legitimacy of both the state itself and, also, perestroika: the former because it was premised upon the claim that it represented the working class; and the latter because it presumably designated the individual -- more precisely, the individual's interests and needs -- to be at the centre of the process itself. Thus, in order to at least appease the population and to ease social tension and unrest, Gorbachev realized that it was imperative to demonstrate an improvement in living standards. For it was quite clear that without social stability the effort to affect

\textsuperscript{183} In effect, because the state had already broken the terms of the 'social contract' -- this being from the workers perspective -- they believed they were justified in their actions (strikes, work slowdowns). See for example, M. Berger, "Moscow Workers Air Grievances at Rally," \textit{Izvestiya}, 5 October 1989: 1, translated in \textit{FBIS}, 11 October 1989: 78-79; A. Gamov, "Further on Rally," \textit{Sovetskaya Rossiya}, 5 October 1989: 2, translated in \textit{FBIS}, 11 October 1989: 79-81.

dynamic change would prove fruitless.

In order to affect a change in the everyday conditions of Soviet society, Gorbachev affirmed that the following things must be accomplished: first, a stabilization of the economy, especially the consumer market; and second, a reduction in the state's budget expenditure.\textsuperscript{185} With reference to the former, he asserted that there must be a rapid increase in the production of goods and services in order to make certain that commodity stocks grew faster than cash income.\textsuperscript{186} With reference to the latter, he maintained that significant reductions in the following areas would be necessary in order to ease the strain on the Soviet budget\textsuperscript{187}: first, capital investments allotted to the construction of production facilities; second, military spending\textsuperscript{188}; third, subsidies


\textsuperscript{188} As well, Gorbachev emphasized the introduction of 'conversion'. This would allow the civilian sector to utilize the production potential of defence branches.
dispensed to unprofitable enterprises\textsuperscript{189}; and fourth, administrative and managerial expenses\textsuperscript{190}.

Despite the importance of the changes expressed above they, alone, could not reverse or slow the escalating state of systemic crisis. According to Gorbachev, it was necessary to institute more "fundamental changes in the economic system"\textsuperscript{191}, necessary, he asserted, because within the existing system of economic management "the state [could] not be rich, and the people [could] not be well-off."\textsuperscript{192} Thus, Gorbachev advocated a new economic model which embodied "a mixed economy with diversified forms of ownership and economic management and an up-to-date market infrastructure."\textsuperscript{193} The overarching objectives of this new model, as emphasized earlier, remained consistent with what Gorbachev had articulated during the initial stages of reform, namely to

\textsuperscript{189} It is important to note that this move to reduce such subsidies represented another attempt to unravel the Brezhnev 'social contract'.

\textsuperscript{190} Gorbachev claimed that each year the managerial apparatus spent 40 billion rubles, with approximately 94 percent of that expenditure going to the administrative apparatus of associations and enterprises. Notably, this reduction in managerial expenses was to accompany the elimination of branch ministries. See, Ibid.


\textsuperscript{192} Ibid.

\textsuperscript{193} Ibid.
"open up the scope for ... people's initiative and create powerful new incentives for fruitful labour and growth in the economy's efficiency." There is one preliminary observation which must be made here. It concerns why a socialist market and diverse forms of socialist ownership are so important within the context of this discussion. Stated simply, Gorbachev claimed that, taken together, they represented a prerequisite to successful economic reform and, thus, to the prosperous renewal of both Soviet society and, also, socialism. He stated that "economic reform [was] simply impossible without a radical updating of relations of socialist ownership" and, furthermore, that this was inextricably linked to "the formation of a full-fledged socialist market".

The process of 'updating relations of socialist ownership' involved a revision of the existing views on ownership both in practice and in theory. In practice, it implied the formation of a mixed economy, where three main sectors -- state, cooperative, and private -- would operate as

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194 Ibid.


196 Ibid.

equal entities; in other words, where they would be subject to the same laws and required to compete on an equal basis. Concerning the private sector, in particular, Gorbachev was careful to underscore that it would play only "a very limited role in society as a whole." Indeed, not only did he seek to limit the role of the private sector but, also, he demonstrated a distinct aversion toward it. This is seen, for example, in Gorbachev’s statement regarding the issue of private land ownership: "A lease -- even for 100 years even with the right to sell the leasing rights and with inheritance. Yes! But private ownership with the right to sell land -- that I do not accept." He was convinced, furthermore, that the overwhelming majority of the people would not chose this option either. He affirmed "that in our specific society as it has developed, private ownership will not be the dominant form -- the people will not accept it." What is significant to note, as well, is that Gorbachev


199 M.S. Gorbachev, "Gorbachev Defends USSR Unity to Cultural Group," Pravda, 1 December 1990: 4, translated in FBIS, 5 December 1990: 45.

200 Ibid.

This conviction helps to explain why he would be inclined to allow the people to decide for themselves on the issue of private land ownership via a referendum. See, M.S. Gorbachev, "On the Path to a Market Economy," Pravda, 18 September 1990: 1-2, translated in CDSP XLII, no.38 (1990): 3.
envisioned the process of privatization in an unconventional way, at least unconventional from the Western, capitalist experience. In fact, he simply redefined the process in order for it to conform to Soviet parameters, parameters which he deemed were appropriate to socialism (socialism as he defined it of course). Gorbachev explained that 'privatization' would take place in the following manner: "through joint-stock forms and a lease, and then perhaps a buy-out ... [by employees] and it becomes the property of the people."\(^{201}\)

In theory, the process of 'updating relations of socialist ownership' required that the traditional emphasis upon communal and collective ties be reappraised. For Gorbachev, this reappraisal implied that elements of the 'culture of enterprise' -- the 'culture of individual initiative' -- be welded to a developed system of social provision. Indeed, he stated this objective clearly: "Our task is to unite the socialist approach with private interest through the modernization of property relations."\(^{202}\) What is particularly interesting about this attempt to meld personal interest with a socialist approach is Gorbachev's assertion concerning the outcome. He claimed that it would create a "real and healthy" foundation for "true collectivism" or, in


\(^{202}\) Ibid.
other words, for the "genuine socialization of [the Soviet] economy."

How did he conclude this? Recall, first of all, that Gorbachev legitimized the element of personal interest by appealing to Lenin. Recall, as well, that this appeal was important because it set personal interest within the boundaries of a socialist framework. By modernizing property relations -- by offering leasing for example -- Gorbachev intended to achieve three things: first, to recreate a sense of personal involvement in the economy and its performance; second, to restore the individual's sense of proprietorship; and third, to stimulate creativity and initiative. His motivation, here, as with the process of socio-political reform, was to overcome the people's alienation -- the gap between common and personal interests -- and, therefore, to heighten the individual's concern with all spheres of Soviet society. In other words, Gorbachev expected that the modernization of property relations would provide the individual with incentive to work harder and more productively\(^{204}\); not, however, with the express purpose of

\(^{203}\) Ibid., 2.

\(^{204}\) Gorbachev claimed that "a diversity of forms of ownership ... [and] new forms of economic management and entrepreneurship ... [would impart] dynamism to our entire country through increasing incentives for labour." See, M.S. Gorbachev, "Shift From Words to Deeds, Move Resolutely Forward," Pravda, 18 December 1990: 1-2, translated in CDSP XLII, no.51 (1990): 12.
benefiting themselves at the expense of society but, rather, of benefiting themselves as well as society. For Gorbachev believed that the Soviet people, like him, still had faith in the socialist choice and the future that it offered. He professed that "those bent on questioning our socialist option are at variance with the public mood and with working people's attitude toward life. Socialism has laid down deep roots." 205 It was here, within this framework, that the socialist approach became welded to personal interest and that it became possible for the 'genuine socialization of the economy.' As should be clear from the discussion earlier, Gorbachev was convinced that the active involvement of personal interest would result in the accomplishment of three things: first, an increase in the quantity and quality of goods available for public consumption; second, an increase in the overall level of national wealth; and third, following from the first two, an augmentation of the state's ability and capacity to support an advanced system of social guarantees and safeguards. Stated simply, it was as a consequence of this augmentation that Gorbachev believed the 'genuine socialization of the Soviet economy' would unfold.

As noted above, Gorbachev recognized that a change in the nature of property relations was not, in and of itself, a

205 M.S. Gorbachev, "Gorbachev Urges 'Deepening' Economic Reform," Pravda, 6 November 1989: 2, translated in FBIS, 6 November 1989: 52 (my emphasis).
sufficient condition for the success of economic reform. The other integral element of change was the formation of a socialist or regulated market. What must be noted, first of all, is that Gorbachev never endeavoured to make the market the defining characteristic of the Soviet economy. To do so would be to imply the convergence of socialism and capitalism. Clearly, this was not Gorbachev's purpose. Rather, he emphasized how the market would serve the needs of the people and of Soviet socialism as well. He claimed that the market was not "an end in itself but ... a means to increase the efficiency of the economy and raise the people's standard of living." According to Gorbachev, the market would achieve these ends by rewarding those whose contribution served both the needs and demands of the consumer and, also, the interests of an intensive, as opposed to extensive, economy. He stated:

The introduction of [the market] must create conditions under which those who work efficiently and produce output which is needed by the consumer and society -- and high output, at that -- who constantly look for ways to reduce costs and make output cheaper, those people should receive and keep good income, good wages, and have the opportunities to improve working conditions and living conditions.  

For Gorbachev, then, the formation of a socialist market would

\[\text{206 M.S. Gorbachev, "Advance Further Along the Path of Restructuring," Pravda, 3 July 1990: 2-4, translated in CDSP XLII, no.27 (1990): 6.}\]

serve to accelerate the pace of economic transformation and to reinforce the change generated by the modernization of property relations. Following from what has been discussed above, there were two ways in which he expected the market to accomplish this: first, by providing an improvement to everyday living conditions and, thus, further incentive for individuals to work harder and more productively; and, second, by "[helping] to quickly accomplish the task of giving [the Soviet] economy a greater social orientation".  

It should be clear from the discussion thus far, that it was Gorbachev's intention to define the role of the market within the strict confines of a socialist framework and, also, with particular attention to Soviet circumstances. In fact, he emphatically claimed that "by moving toward a market we are not moving away from socialism but toward a fuller realization of society's possibilities." In essence, Gorbachev based this claim upon one very simple assumption: that only via the market would it be possible to "make a final break with work solely on the basis of commands, with parasitism, wage-levelling, monopolism, and shortages." To be more precise, he believed that the only way to overcome the most

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208 Ibid.

209 Ibid. (my emphasis).

unprogressive and inefficient elements of the Stalin and Brezhnev era was via the market. For Gorbachev, these elements represented an aberration from socialism and, in effect, obscured its most basic principle, 'from each according to his abilities, to each according to his work'. Indeed, it was his objective via the market to realize this principle and, therefore, to realize the possibilities of society or, more specifically, of socialism.

It is important to note, here, that Gorbachev attempted not merely to define the notion of the market within a socialist framework but, more precisely, within the movement toward a more humane and democratic socialism. On the one hand, in order to portray the market in humane terms, he made every effort to conceal the hardships that might be associated with its formation, such as unemployment and high prices. He claimed that there could be no market without the development of a mechanism for firm social guarantees and "countermeasures capable of neutralizing possible costs for working people." Accordingly, Gorbachev emphasized four significant things in an effort to ease the fear and the uncertainty which surrounded this issue: first, that the people's right to work

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212 Ibid.
must be legally protected; second, that the state must provide material support to those who were temporarily without work; third, that the transition to the market would not begin with a price increase; and fourth, that, in general, social protection would accompany any price reform. On the other hand, Gorbachev emphasized that the formation of the market (economic decentralization) was linked to, and would reinforce, the democratization of Soviet society (political decentralization). To be more precise, he emphasized that inherent within the logic of market itself were two things which would strengthen the 'democratic' foundations of Soviet society: first, it denied a monopoly to any single form of ownership; and second, it demanded that there be both political and economic equality among these diverse forms. Gorbachev's emphasis, here, was significant because it once

213 This, of course, was a reiteration of an element of his 'social contract'.

214 From Gorbachev's perspective, this was necessary because, if there was to be any support generated for a market economy, there would have to be concessions made on prices, especially in the early stages of market formation. For, as noted earlier, it was his opinion that, to "[the people], a market [meant] not full store shelves but high prices." See, M.S. Gorbachev, "Speech by M.S. Gorbachev on the Results of the Discussion of the CPSU Central Committee's Political Report to the 28th Party Congress," Pravda, 11 July 1990: 1-2, translated in CDSP XLII, no.34 (1990): 17.


216 Ibid.
again revealed his understanding of the interdependence between economics and politics and, more specifically, between the need for economic change in conjunction with political change.

It should now be clear that the socialist market was an integral element in Gorbachev's new economic model. What has not been addressed, however, is the affect that its formation would have on the Soviet notion of planning. Recall, that despite its important role in the reform process, Gorbachev at no time sought to establish the market as an omnipotent force in the Soviet economy. In other words, he still accorded a central role to the notion of a state-guided and state-regulated economy. Indeed, he professed that "we have no need to reject the generally recognized advantages of centralism and large scale planning. We reject bureaucratic centralism ... thereby rejecting a purely formal and essentially impotent centralism in favour of a real and effective version." ²¹⁷ In essence, Gorbachev endeavour to find a path between the market and the plan. He emphasized that the development of a socialist market must "[retain] planned regulation and economic methods of influence and, at the same time, [encourage] maximum economic independence for primary

production collectives." In effect, Gorbachev sought to achieve the best of both worlds: on one hand, the productivity, efficiency, and innovation of the market; and on the other, the security of the plan.

SOME CONCLUDING REMARKS

Gorbachev's vision of economic transformation, reduced to its most elementary terms, represented a quest for modernity, a modernity whose centrepiece was the individual and, more precisely, the individual's attitudes and skills. First and foremost, his vision endeavoured to create an environment which would foster not only initiative, creativity, and productivity but, also, and perhaps most importantly, a rejuvenated sense of civic duty and responsibility. Within this context, Gorbachev sought to achieve three simple, yet elusive, goals: first, an efficient, intensive, and innovative economic system; second, the active, personal involvement of individuals in the economy, individuals with a stake in economic performance; and third, the dynamic renewal of Soviet socialism and the Soviet state. This latter goal is particularly significant, namely because it reveals two things which are crucial to any understanding of economic transformation during this period: on the one

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hand, that Gorbachev, as leader in this process of change, represented a reformer and not a revolutionary; and second, that the nature of the economic change which Gorbachev promoted was 'within system' as opposed to 'systemic'.

This latter goal deserves some further discussion. For, **above all else**, it was Gorbachev’s objective to fully unveil the potential and the advantages of socialism and, in so doing, ensure that the Soviet state be able to retain its prominence in the international community. He affirmed that the potential of socialism lay buried beneath not only the apathetic and demoralized spirits of the Soviet people but, also, the 'supercentralized' nature of the state. By granting the people more freedom and greater independence and by relaxing political controls over the republics, Gorbachev believed that both the former and the latter would appreciate, and indeed be grateful for, these flexible policies; that, in return, the Soviet people would not only work harder and more productively but, also, dedicate themselves wholeheartedly to perestroika, enduring hardship in the short-term for the sake of the prosperous future which it promised; that the republics would understand that their autonomy depended upon the success of his campaign for renewal and, as well, upon the continued strength of the centre. However, the people had been deprived of their political rights for 70 years and the state -- the empire -- had been built by force and maintained, in large measure, by repression. Indeed, it was simply unrealistic for
Gorbachev to believe that either the individual, in particular, or the nationalities, in general, could temper their demands once they had been allowed to express themselves. From this perspective, the prospects for the success of his vision of economic transformation seemed dubious at best.

The above discussion points to an important issue, one alluded to earlier in this chapter. It is the interdependence between economic change and political change. How Gorbachev perceived this interdependence -- in other words, how he envisioned that political change would function in the service of economic reform -- will be the focus of the chapter that follows.
In 1988, Yelena Bonner commented that one of the chief issues in the process of reform "[was] whether people [had] faith or [did not] have faith in perestroika" or, in other words, whether they believed or did not believe in the Soviet future. This observation is important because it best captures the nature and scope of the dilemma which confronted Gorbachev. Stated simply, this dilemma revolved around how to make perestroika distinctly different from those campaigns of the past, campaigns 'from above' to which the Soviet people paid lip service in public but merely ignored in private.

This fundamental issue of how to engender the people's faith in perestroika and in the future which it promised represented the basic premise behind Gorbachev's conception of modernity. Indeed, for Gorbachev, modernity was more a process than an end-point. To be more precise, it was to be found within the process of restructuring psychological, cultural, and social attitudes and, moreover, within the development of a political culture capable of generating and sustaining popular participation in the Soviet system. In fact, he

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understood these changes to represent prerequisites to successful economic transformation. Given this conception of modernity, the observation made in chapter three becomes all the more important. There, it was emphasized that Gorbachev's vision focused upon the individual and upon the individual's skill, creativity, initiative, and responsibility. Within this context, the process of modernization, put most simply, involved the creation of the conditions necessary for this active involvement. In short, it reflected Gorbachev's efforts to engender the people's commitment to perestroika and their belief in the future which perestroika promised.

At this point, what should be recalled is the multi-dimensional crisis -- social, economic, and political -- which afflicted the Soviet system. It is important to do so because the process of modernization, as conceived by Gorbachev, struck at the very heart of this crisis. First of all, broad sections of the general population had drifted away from the official values and norms of the Soviet socialist system. In essence, this social crisis was the product of both a political and an economic crisis. The former was indicative of the following two manifestations: on the one hand, past leaderships which had neither been willing nor able to recognize the accumulating state of systemic crisis and, moreover, to generate the dynamism necessary to transform and modernize the Soviet system; and on the other hand, a corrupt and bloated bureaucracy which sought only to improve its own
status and income. The latter was indicative of, among other things, low economic growth and a stagnating standard of living. What is most important to emphasize, here, is that it was the interdependent nature of these crises which required that economic reform be conducted not in isolation from social, political and cultural factors but, rather, simultaneously with social, political, and cultural reform.

The purpose, then, of this chapter is to determine how Gorbachev approached this multi-dimensional crisis, how he sought to engender faith in perestroika, and, therefore, how he sought to secure the personal interest of the Soviet people in the economy and in the society as a whole. In broader terms, the purpose, here, is to explore the relationship -- the interdependence and the interaction -- between economics, politics\textsuperscript{220}, and ideology in the process of economic reform or, in other words, to explain how Gorbachev endeavoured to utilize politics and ideology in the service of economic transformation.

**GORBACHEV’S STARTING POINT**

Gorbachev’s quest for modernity began, first and foremost, with the widespread public recognition of systemic crisis. He believed that this recognition was the starting point for the dynamic momentum required to drive economic

\textsuperscript{220} This term is broadly conceived to encompassed political, social, and cultural elements.
reform forward 'from below'. In more specific terms, his stress upon the severity of systemic crisis was rooted in the necessity to create the following: first, an awareness amongst the population that there would be no change without pain and no openness without conflict\textsuperscript{221}; and second, a fear of the status quo\textsuperscript{222}, a fear great enough to reinforce, and indeed make credible, his claim that there was no alternative to economic reform.\textsuperscript{223} To continue with this second point, Gorbachev's challenge was to instill a fear of the economic 

\textsuperscript{221} Creating this awareness was important because, in the wake of his own realization that the causes of systemic crisis lay deeper than he had initially anticipated (late in 1986 to early in 1987), it became clear to Gorbachev that successful economic transformation would not occur spontaneously. Indeed, he realized that these hardships would slow the process considerably. Thus, he emphasized the following: "Radical reform of the system of economic management is not a one-shot act but a process that will take a certain amount of time." See, M.S. Gorbachev, "On the Party's Tasks in the Fundamental Restructuring of Economic Management," Pravda, 26 June 1987: 1-5, translated in CDSP XXXIX, no.26 (1987): 17.

\textsuperscript{222} His attempt to create a fear of the economic status quo is best illustrated by the following example. In 1988, Gorbachev claimed that there had been no increase in the absolute growth of national income for two decades and, furthermore, that there had been a decrease in the early 1980's. See, M.S. Gorbachev, "Provide an Ideology of Renewal for Revolutionary Restructuring," Pravda 19 February 1988: 1-3, translated in CDSP XL, no.7 (1988): 7.

status quo that was greater than the fear and uncertainty fostered by his own demands for change. In other words, his challenge was to convince the Soviet people that the long-term costs of 'standing still' or 'moving backward' would be far greater than any of the short-term losses suffered during the process of economic reform. Indeed, Gorbachev articulated this point clearly:

But how long can we be frightened by any kind of losses, comrades? Losses are inevitable in any undertaking of course especially a new one; but the consequences of spinning one's wheels, stagnation and indifference are far more substantial and costly than the losses that arise temporarily in the process of creative construction of new forces of life in society.  

To extend this idea even further, Gorbachev's challenge, above all else, was to convince the Soviet people that the future which perestroika promised was well worth any short-term losses and sacrifices experienced along the way.

Gorbachev appealed to the Leninist state as the starting point for dynamic momentum 'from above'. To be more precise, he perceived himself, his leadership, and his quest for change as part of a continuum that began with Lenin. In
his own words, "perestroika [was] a continuation of the idea of the October [Revolution], it [was] ... the development of the choice ... made in 1917, under the leadership of Lenin and the Bolshevik party." Following from this, the revival of the Soviet socialist system meant that it was "necessary to rid socialism of everything pseudosocialist, distorted, and deformed in the period of the personality cult, command system, stagnation." On the basis of this appeal to the Leninist state, Gorbachev endeavoured to accomplish three things: first, to legitimately purge the existing socialist system of those old ideological precepts which threatened to hamper the process of reform; second, to create new motivation for change by invoking fresh guiding images; and third, to re-establish legitimate boundaries for change.

Each of these three points will be considered more


Gorbachev affirmed that, by the end of the 1970’s, "the growing discrepancy between the lofty principles of socialism and the everyday reality of life had become intolerable." From his perspective, then, the effort to redefine the socialist framework, and to promote a dynamic Soviet economy in accordance with that framework, simply marked an attempt "[to eliminate] the things that [had corroded] socialism’s most basic principles and ideals. See, M.S. Gorbachev, "October and Restructuring: The Revolution Continues," Pravda, 3 November 1987: 2-5, translated in CDSP XXXIX, no.44 (1987): 9.
closely below through the examination of Gorbachev’s approach to three broad themes: first, the legacy of past leaderships; second, in broad terms, political reform or, more particularly, institutionalization of change; and third, the leading role of the party.

**GORBACHEV’S UNDERSTANDING OF THE PAST**

As should already be clear, it was Gorbachev’s commitment to the Soviet socialist project and its renewal which drove his vision of economic transformation. His evaluation of the past -- more precisely, what he chose to emphasize and what he chose to discard -- was a function of this commitment. Put most simply, the process represented an arbitrary selection of the ‘good’ and the elimination of the ‘bad’, choices which were designed to serve his vision of change. So although Gorbachev may have admitted to "[bidding] farewell to the past ... [to] rejecting the barracks mentality ... [of] Stalinism" he could not, or rather would not, "renounce [his] grandfather who was committed to all of this to the end ..., reject whole generations ..., [lest] they live in vain."\(^{228}\) In short, then, for Gorbachev to forsake the entire Bolshevik experiment, and effectively declare it a mistake, would mean that there would be nothing for which to

\(^{228}\) M.S. Gorbachev, "Gorbachev Defends USSR Unity to Cultural Group," Pravda, 1 December 1990: 4, translated in FBIS, 5 December 1990: 45.
live or strive.\textsuperscript{229}

Gorbachev's portrayal of the past served two functions, both intricately interdependent and intertwined: first, to delegitimize the old order -- the old political, ideological, economic, and social order -- and, as a result, create a scapegoat upon which blame could be placed\textsuperscript{230}; and second, as has already been suggested, to legitimize his own direction of change. For the purposes of this discussion, the chief objective of Gorbachev's vision of change will be understood in the following manner, at once briefly and broadly stated: to renew and to humanize the Soviet socialist system, to modify it in order to make it not only more efficient but, also, more responsive to the needs of the people and the state.

In the most general of terms, and given this overarching objective, Gorbachev exposed what he deemed was

\textsuperscript{229} Indeed, he stressed that, "despite all that was tragic and traumatic, despite all the deformations which complicated and slowed down, perhaps, the realization of the socialist ideal", what the Soviet Union had achieved, and therefore what the Bolshevik project of socialism had achieved, was "nevertheless a huge breakthrough, a huge achievement in contemporary human civilization." See, M.S. Gorbachev, "Gorbachev Speech to Pravda Editors Televised," Moscow Television Service, 24 October 1989, translated in FBIS, 25 October 1989: 64.

\textsuperscript{230} Gorbachev's choice of scapegoats were, primarily, Stalin and Brezhnev. The former because he presided over the building of the economic edifice which Gorbachev sought to transform; and the latter because he presided over the maintenance of this edifice during its most formidable years of decline.
the outmoded nature of theoretical socialist notions and dogmas. He claimed, for example, that the Brezhnev leadership impeded the path of economic progress by its adherence to "habitual formulas and patterns that did not reflect the new realities." According to Gorbachev, these 'new realities' were a function of the fact that the Soviet people's overall level of education and culture had risen "immeasurably". This fact revealed one 'new reality' in particular, namely that "the possibility and the need for every citizen to participate in the management of the affairs of society and the state [had] grown enormously." Most problematic, here, was that the theoretical constructs of socialism had changed very little from the 1930's or 1940's. More specifically, Gorbachev argued that the building of socialism "[had] been impeded by the personality cult, by the command administrative system of management that came about in the 1930's" (a reference to Stalin) and "by the lack of initiative and


This idea has been most frequently expressed by Tat'yana Zaslavskaya. See for example, T. Zaslavskaya, "The Novosibirsk Report," Survey 25, no.1 (Spring 1984): 83-108.
retardation phenomena that led to stagnation" (a reference to Brezhnev). In the case of the former, Gorbachev's criticism focused on the lack of humanism inherent in the Stalinist model, a model, in other words, which sacrificed the individual for the sake of the state. He emphasized:

Stalin's distortions led to the loss of the main asset in the Marxist and Leninist concept of socialism: the concept of people as an end rather than a means. Instead of the idea of free development of each individual as the condition for the free development of all there appeared an idea of the people as 'cogs' in the party and the state machine and of working people's organizations as the 'driving belts' of this machine.

In the case of the latter -- Brezhnev -- Gorbachev's criticism focused upon the leadership's inertia or, more precisely, upon its inability to "promptly or fully appreciate the need for change." Accordingly, Gorbachev characterized this period of stagnation as "a time of lost opportunities that seriously

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25 Here, Gorbachev asserted that "the bureaucratic, strictly centralized economic and political system operated according to its own laws" and, as a result, increased the gap between humanist ideals and practice. Furthermore, he emphasized that "any means -- however inhuman -- were justified" in the construction of the centralized command system. See, M.S. Gorbachev, "Gorbachev Article on Socialism Published," Pravda, 26 November 1989: 1-3, translated in FBIS, 27 November 1989: 73, 74.

26 Ibid., 74.

damaged the socialist cause."\textsuperscript{238} He asserted that "while Western countries were switching to a new era -- the era of high technology, ... of new forms of providing for people's lives, including their everyday lifestyle" -- the Soviet Union was left behind in a "past technological era."\textsuperscript{239}

Above all, as has already been emphasized, Gorbachev's bid to render the Soviet socialist system more responsive to the needs of the people and the state entailed one overarching objective. Stated simply, this was to designate the individual the main dramatis personae in perestroika, in the economy, and in society. He legitimized this focus by once again alluding to Lenin: "'Not directly on enthusiasm, but with the help of the enthusiasm born of the great revolution, on personal interest, on economic accountability' -- those were the principles on which the process of socialist building should be based, according to Lenin."\textsuperscript{240} Both this focus and, also, the manner in which Gorbachev legitimized it are particularly significant for two reasons. The first reason relates to how Gorbachev simultaneously delegitimized the Soviet past, this by stressing the contrast between the Leninist state and the


\textsuperscript{239} Ibid.

old order (especially the Stalinist order). He argued that 'socialist building' under the guise of former leaderships had become a process whereby the Soviet people were 'herded' into pre-determined models of development or, in Gorbachev's own words, "herded into a 'good life'" (or, at the promise of a 'good life').\(^{241}\) Indeed, within this context, Gorbachev emphasized, that the individual became a means to a pre-determined end and, more precisely, that "the socialist ideal lost the main thing -- the people themselves, their needs, interest, and real life."\(^{242}\) The second reason relates to how Gorbachev simultaneously legitimized particularly controversial elements of his own vision, this by demonstrating that these elements enhanced the concept of 'personal interest'. As has already been discussed in the previous chapter, he justified the introduction of material incentives, the formation of the socialist market, and the redefinition of socialist ownership on the premise that each of these elements appealed to, and motivated, the individual's interests, their skills, their needs, their creativity, and their initiative. Recall that, according to Gorbachev, the introduction of incentives would engender a new work ethic,


\(^{242}\) M.S. Gorbachev, "Gorbachev Article on Socialism Published," Pravda, 26 November 1989: 1-3, translated in FBIS, 27 November 1989: 75 (my emphasis).
thereby allowing people to become "the true masters of production, rather than the master in name only."\textsuperscript{243} the formation of the market would increase living standards, would give the economy a greater social orientation, and would turn the economy toward the interests and needs of the people\textsuperscript{244}; and the redefinition of socialist ownership would allow people to become true masters of the means of production and the results of their labour and would, as a result, motivate a personal stake in efficient work and high final results.\textsuperscript{245}

**THE ROLE OF POLITICAL CHANGE IN ECONOMIC TRANSFORMATION**

At the beginning of this chapter, it was noted that the political, economic, and social crises which afflicted the Soviet system were inherently interdependent. Moreover, it was emphasized that, in light of this interdependence, the success of economic transformation depended upon the enactment of simultaneous economic, political and social reform. Without detracting from the importance of this general point, what must recognized is that, in more precise terms, the very


\textsuperscript{245} Ibid.
nature of the Soviet communist state dictated that economic reform be conducted in concert with political reform. Indeed, the dominance of politics over economics is a principle characteristic of communist systems and, as such, the key to economic transformation is found in political change. As Bialer observes, "radical economic reforms ... are impossible in Soviet [type systems]. What is possible are radical political reforms that have fundamental economic consequences."247

As should be clear from the discussion in the prior chapter, Gorbachev understood the interdependence between economics and politics. On more than one occasion he expressed the following sentiments: "We cannot hope for successful economic transformations without implementing political

246 This dominance of politics over economics in communist systems deserves some further explanation. To begin, Marxist theory asserts that the logic of history was to dictate the transition from capitalism to socialism. In the Soviet Union, however, this historical logic did not materialize and, consequently, it became the responsibility of the communist party to act out the role of history or, more precisely, to build socialism. In practice, this dominance of politics over economics unfolded along the following lines: first, the leadership determined economic priorities in accordance with its political priorities; second, the leadership ensured that the administration of the economy in no way encroached upon its political power; and third, though economic growth may have represented a central preoccupation of the leadership, economic factors, in and of themselves, dictated neither the formulation of its goals nor the methods by which it undertook to accomplish them.

reform, just as it is difficult to hope for success in the political field without economic reform.\textsuperscript{248} In an effort to legitimize, and to provide new motivation for, the process of political reform, Gorbachev once again harkened back to the image of the Leninist state. He stated that in order to "overcome the alienation, that is, ... bring to completion and resolve the task that the Bolsheviks and Lenin began to overcome the alienation of man from power, the working people from power, ... [it is necessary] to [launch] political reform."\textsuperscript{249} Along the same lines, he further argued that "in the conditions of reorganization, when the task of intensifying the human factor has become so urgent, we must return once again to Lenin's approach to the question of maximum democracy of the socialist system under which the


It was the general understanding of both Gorbachev and, also, his advisors that the failure of economic reform in the mid-1950's and 1960's was due to the absence of political transformation. See for Gorbachev, M.S. Gorbachev, "Political System Must Be Reformed to Avoid More Failed Policies," \textit{Pravda}, 1 July 1988: 7-8, translated in \textit{CDSP} XL, no.31 (1988): 1-12. See for Abel Aganbegyan, A. Aganbegyan, "Aganbegyan, Economists on Restructuring," \textit{Budapest Domestic Service}, 7 November 1987, translated in \textit{FBIS}, 10 November 1987: 73-76.

people feel that they are their own masters and creators. According to Gorbachev, it was imperative, here, to follow Lenin's advice, namely, that "the more profound the transformation, the more interest in it must be enhanced." For in order to successfully revitalize and modernize society, in general, and the economy, in particular, he realized that the widespread mobilization of public support was critical. To be more precise, Gorbachev aspired not only to promote the participation of the Soviet people in the affairs of the state and the economy but, also, to substantially augment the 'stake' that they had in the system itself, politically, economically, and socially.

In essence, Gorbachev promoted political reform with the expectation that it would serve economic reform or, in other words, that it would serve an economic function. Put most simply, he expected political reform to overcome the grave lack of motivation and legitimacy within society and the state and, in effect, to overcome that which had inhibited popular participation and interest in economic performance. There were two aspects of political reform which were important in this regard: first, glasnost; and second,


democratization.

Gorbachev intended the project of glasnost to perform four distinct, yet interrelated, functions. The first function concerned, on the one hand, exposing the nature and scope of systemic crisis and its causes\(^{252}\) and, on the other hand, thrusting this evaluation to the forefront of debate. As noted earlier, Gorbachev believed that such public awareness was critical if only to underscore his own professions that there was no alternative to radical economic reform.\(^ {253}\) The second function centred upon the conception of glasnost as a medium for debate. Here, Gorbachev emphasized that debate about economic reform would generate alternatives to the obsolete

\(^{252}\) Integral, here, was Gorbachev's conception of cultural reform. Indeed, he considered cultural change -- the change in the psychological mind-set of the Soviet people -- to be a prerequisite in the economic process. He argued that the "restructuring of the economic mechanism [began] with the restructuring of the people's consciousness; a rejection of established stereotypes of thinking and practise, a clear understanding of new tasks." In essence, this plea represented a two-fold effort: on the one hand, to encourage the masses to reject the economic status quo; and on the other hand, to enlist the initiative and creativity of the general population. See, M.S. Gorbachev, "The Political Report of the CPSU Central Committee to the 27th Congress of the Communist party of the Soviet Union," \textit{Pravda}, 26 February 1986: 2-10, translated in \textit{CDSP XXXVIII}, no.8 (1986): 17.

\(^{253}\) It was imperative, of course, that this criticism promote the cause of socialism, at least Gorbachev's version of it. Indeed, he emphasized to the media that they "should pose questions in a serious way, truthfully, in the interests of ... socialism." See, M.S. Gorbachev, "Gorbachev Meets With Media Officials," \textit{Pravda}, 11 May 1988: 1-2, translated in \textit{FBIS}, 11 May 1988: 45 (my emphasis).
economic structures of the existing socialist system. The third function focused upon legitimizing both the leadership and, also, its quest for change. In this regard, Gorbachev expected that a more open mass media, which engaged in a critical re-examination of the Soviet past, would reinforce -- and, more precisely, would enhance the credibility of -- his commitment to the reform process. Following from this, he expected that perestroika would be able to successfully transcend the stereotypical image of 'just another campaign'.

The fourth, and final, function was a two-fold strategic one. First, Gorbachev aspired to create a media arena where an overt dual could be waged with the opponents of perestroika, especially the bureaucracy. Second, he recognized that a more open media structure could serve as a barometer, a consistent and reliable measure of public opinion which would provide the leadership with feedback on policy initiatives.

Following from the above, Gorbachev intended for the process of democratization to reinforce, and to further

\[\text{254 Of course, Gorbachev demanded these alternatives be "permeated with concern for socialism." See, M.S. Gorbachev, "The Fundamental Question of Restructuring," Pravda, 13 June 1987: 1-3, translated in CDSP XXXIX, no.24 (1987): 8.}\]

\[\text{255 In essence, Gorbachev hoped that the public discussion of economic and social problems would pressure those in the party, the bureaucracy, and the state apparatus to match the pace of this debate or, in other words, would force them to be responsive.}\]
extend, the economic functions of glasnost. In essence, he recognized that, if the Soviet economy was to have any chance of undergoing modernization, the people themselves would have to feel a part of the decision-making process. To do so, would not only enhance the legitimacy of the state and the leadership itself but, also, would generate broad popular support for economic reform, in effect ensuring that the reform process be irreversible. Indeed, Gorbachev asserted that "the people [must be] included in a thorough way ... in order to make [restructuring] irreversible." In other words, he believed that, if the Soviet people became actively involved in the affairs of the state, they would develop a stake in the process of change and, more precisely, in its continuation, not its demise. It was at this stage that perestroika would attain the status of a legitimate campaign among the population and, consequently, that people would

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256 As well, it must be noted that, via democratization, Gorbachev sought to extend the popular base of support for reform measures. During the acceleration campaign, he endeavoured to build an alliance with the scientific and technological intelligentsia; during the glasnost campaign, the cultural and artistic intelligentsia. Taken together, however, these alliances were not widespread enough, at least not if Gorbachev hoped to overcome elite and bureaucratic opposition. Indeed, a more broadly based alliance would be required, namely the general population. As should be clear from the discussion of Gorbachev’s new ‘social contract’, Gorbachev chose to pay particular attention, here, to the Soviet worker.

begin to have faith in change and in the future that it promised.

THE LEADING ROLE OF THE PARTY AND ITS RELATION TO ECONOMIC CHANGE

There is one final, yet important, factor in the process of change which must be examined, that being the party or, more precisely, Gorbachev's conception of the party and its role in society. It is paramount to understand this factor for two key reasons. The first reason is that, on more than one occasion, Gorbachev pledged his allegiance not only to the socialist cause but, also, to the party itself. He professed, for example, that "for me the party is something sacred. Everything must be done to ensure that it acquires a second wind, finds its place in the country which is undergoing renewal."\(^{258}\) The second reason is that Gorbachev continued to emphasize the necessity of maintaining -- and indeed enhancing -- the party's leading role in society and, more specifically, its leading role in process of reform. He stressed his belief in "Lenin's concept of the party as the society's political vanguard."\(^{259}\) Moreover, he emphasized that, "at the stage of

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\(^{258}\) M.S. Gorbachev, "Gorbachev Votes, Meets with Reporters 4 March," Pravda 5 March 1990: 1, translated in FBIS, 5 March 1990: 54 (my emphasis).

perestroika, the party’s role further [grew] in the perfection of the socialist society, in carrying out far-reaching transformations." To continue with this latter emphasis, Gorbachev maintained that "the fate of perestroika ... [depended] to an enormous, if not decisive, extent on [the party’s] activity." Following from these two points, then, not only must the party must be evaluated as a primary actor in the reform process but, also, its presence must be seen to condition the very nature and scope of the process itself.

To begin, there are two questions in particular which must be considered: on the one hand, how did Gorbachev define the party’s political vanguard role? and on the other hand, how did he reconcile the party’s leading role with his efforts to modernize and democratize the Soviet system? Concerning the former question, it is useful, first, to consider the basic premise which underscored Gorbachev’s conception of the party’s role. He believed that, in the past, the party’s function as the political vanguard of society had become considerably weakened, this because it exercised minute supervision over all aspects of policy, especially in the economy. Put most simply, this minute supervision arose as a result of the traditional blurring of state and party roles;

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260 Ibid.

in other words, the traditional confusion between providing ideological guidance and acting as a legislative and executive agency in the place of soviet and governmental bodies.\textsuperscript{262} It was on the basis of this assessment that Gorbachev redefined the party’s role. As the political vanguard of Soviet society, he insisted that the party concentrate its efforts solely on the development of key policy issues and on political, organizational, and ideological work.\textsuperscript{263} According to Gorbachev, then, party cadres were to become political leaders rather than economic managers.\textsuperscript{264}

With reference to the second question, it is important to recognize that Gorbachev’s efforts to reform the party did not so much hinge upon reducing its power as it did upon both making the party more responsive to the concerns of the Soviet people and, also, establishing flexibility and efficiency as


\textsuperscript{264} It must be emphasized, here, that the creation of the executive presidential system, in March of 1990, remained consistent with these objectives. Contrary to what some commentators claim, it was not Gorbachev’s intention to divest himself of the party and its concerns. Rather, it was his intention to place more pressure upon party members to become political leaders instead of economic managers.
its chief characteristics. To this latter end, Gorbachev transferred the party’s executive power to local soviets and its legislative power to revamped parliamentary bodies. In essence, this marked an effort to remove the party from its day-to-day involvement in managing the Soviet economy and, therefore, to motivate the realization of its 'rightful' political vanguard role. To the former end, Gorbachev forced party members to engage in competitive elections for official posts. By refocusing the party’s power and by making it more attentive to the demands of the people, then, Gorbachev believed that he could create a party that would not only be stronger but, also, better able to govern than the corrupt, inefficient, and bloated bureaucracy which he inherited. At the heart of this belief was one fundamentally inconsistent assumption, this being that the leading role of the party was not incompatible with the decentralization of the economy or with his plans for democratization. Indeed, according to Gorbachev, "democratism [was] determined not by the number of parties but rather by the role the people play in society." From this perspective, the development of pluralism and of competing opinions in society became a means to two things: on the one hand, a revitalized party, capable of living up to its political vanguard role; and on the other hand, a revitalized

society, capable of securing an equally dynamic economy.

Gorbachev’s commitment to the party and its revitalization underlay even the amendment to Article 6 of the Soviet constitution.\(^{266}\) To a large extent, contrary to what some commentators claim\(^{267}\), the amendment aimed to make the party’s transition from economic management to political leadership easier and more fruitful. In the face of this new political environment, Gorbachev emphasized that the party would have to **earn** its 'leading role' via the ballot box in competition with other parties.\(^{268}\) These conditions, he expected, would **force** party cadres to reform themselves and

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\(^{266}\) According to Article 6 of the 1977 USSR Constitution the Communist Party was the "leading and guiding force in Soviet society and the nucleus of its political system." In March of 1990, it was change to the following: "The Communist Party of the Soviet Union, other political parties, trade unions, youth and other social organizations, and mass movements participate in the formation of the policy of the Soviet state and in the administration of the state and social affairs through their representatives elected to the soviets of people’s deputies and in other ways."

\(^{267}\) Jerry Hough, for example, contends that the amendment to Article 6 marked an effort, on the part of Gorbachev, to assume greater security and more power. In more specific terms, he remarks that the amendment "[was] intended to prevent high bureaucrats and party officials with seats on the Central Committee from removing the General Secretary from power." Here, Hough places too much emphasis upon Gorbachev the 'politician' and his consolidation of power. As a result, he underestimates and overlooks Gorbachev the 'communist' and his commitment to the party and its revitalization. See, Jerry Hough, "Understanding Gorbachev: The Importance of Politics," Soviet Economy 7, no.2 (1991): 97.

their actions or, in other words, would motivate them to respond to the needs of Soviet people. Within this context, the move to amend Article 6 represented a step toward terminating a stigma which thwarted the party's efforts to achieve popular recognition and endorsement. Put most simply, this was the public's identification of the party with bureaucracy. Given the emphasis that Gorbachev placed upon the necessity of the party to earn its 'leading role', the importance of this step in the process of its revitalization cannot be underestimated. In short, from Gorbachev's perspective, the step marked an opportunity for the party to relegitimize itself in society.

It is important to emphasize here that, despite Gorbachev's emphasis upon making the party more responsive to the needs and concerns of the Soviet people, he did not expect the party to be reactive but, rather, proactive. In other words, he still expected the party to mould and direct the people's agenda. From this perspective, the people represented a source of dynamic momentum for change and not a source of change itself (mass pressure). Gorbachev claimed that "the weaknesses and inconsistencies of the known 'revolutions from above' are explained precisely by the lack of support from below, the absence of concord, and concerted action with the
masses." Here, he clearly assumed that the transformation process should proceed 'from below' and 'from above'. Yet, in more precise terms, it was implicit that transformation should proceed with leadership 'from above' and followership 'from below'. Indeed, Gorbachev confirmed this relationship between the party and the people in the following affirmation:

Generally speaking, the most painful thing is the fact that our designs in the sphere of the economy are based on unpreparedness and immaturity of social consciousness. No one will present us with ready-made thinking. It must take shape in two ways: By means of mastering new forms of life and by means of explaining what this transition to the market means. At this stage the party should work very hard.

As illustrated above, it was the party's responsibility, as political vanguard, to shape the Soviet people's ideas, attitudes, opinions, and impressions. Most notable, here, is Gorbachev's portrayal of the people. For they appear ignorant of the proper path to a renewed socialism. Following from this, it seems that Gorbachev expected the party to mould the people's interests and concerns in a way which would secure their conformity with his own vision of transformation and, more precisely, with his own conception of socialism.

At this point, it is important to consider one final,

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yet integral, element in Gorbachev's attempt to redefine and revitalize the party. This element was the relegitimization of the party and its role as political vanguard in society. What must be noted, first of all, is that the decline in the Soviet economy, and the subsequent emergence of systemic crisis, had undermined the legitimacy of the party. For CPSU derived its legitimacy from the promise of social progress or, in other words, from national achievements and improvements in the standard of living. In the long term, Gorbachev believed that the success of perestroika itself would restore the legitimacy of the party. In the short-term, however, he appeared to rely upon two factors: first, the party's initiation of the reform process; and second, the work of individual party members within state bodies -- party cadres dedicated to affect change. Continuing with this latter point, Gorbachev hoped that such members within ministries and soviets would work, by example and by persuasion, to set in motion his vision of transformation. Gorbachev affirmed that "wherever they may


What is most important to emphasize, however, is that he expected the dedication of party cadres to the implementation of his vision to prevail over state discipline in non-party bodies. Rather than giving priority to bureaucratic and institutional interests, then, communists were to give primacy to Gorbachev's goals concerning the reform process.
happen to work, Communists cannot remain on the sidelines of the changes taking place in society. They should be the most ardent champions of everything new that is entering our life."\textsuperscript{272}

This latter point is particularly interesting because, in large measure, it hinged upon party members changing their image. To be more precise, before they could attract and recruit others to the cause of reform, it would be necessary for party members not only to openly exhibit zeal, initiative, and discipline but, also, demonstrate decisive results. For Gorbachev, it was paramount, here, to mould the 'perfect communist'. Accordingly, he endeavoured to establish a party comprised of pure and honest members and, in so doing, eliminate "the shadow [which had] been cast by the crimes of a number of degenerates."\textsuperscript{273} In Gorbachev's own words, he demanded "lofty morality", "incorruptibility", and "modesty" on the part of every party member.\textsuperscript{274} In essence, Gorbachev aimed to create a party with wholesome and dedicated members, whose actions would facilitate not only the \textit{legitimate} renewal of the party and its rebirth as a leading \textit{legitimate} political

\textsuperscript{272} M.S. Gorbachev, "Gorbachev Delivers New Year's Address," \textit{Moscow Domestic Service}, 31 December 1988, translated in \textit{FBIS}, 3 January 1989: 4.


\textsuperscript{274} Ibid.
force in society\textsuperscript{275} but, also, the solidification of a broad base of support for perestroika.

\textbf{SOME CLOSING REMARKS}

At the outset of this chapter, it was emphasized that Gorbachev's quest for modernity centred upon the individual and, as such, that it was necessary for him to engender the faith and the interest of the Soviet people in the process of reform and, more precisely, in the future which it promised. To this end, he employed glasnost and democratization. However, following from these campaigns -- and, indeed, following from Gorbachev's move to expose the sources of systemic crisis -- there erupted revelations about the nature of the 'existing' Soviet system and the scope of its problems, in particular poverty. Andrei Sakharov, for example, charged that "the official system of full social justice was a \textit{lie}: 40 million people ... [live] below the poverty line."\textsuperscript{276} Put most simply, revelations such as this one challenged the legitimacy of the very foundations of Gorbachev's vision. In other words,

\begin{itemize}
\item \textsuperscript{275} In particular, Gorbachev emphasized that the party must "restore the pristine purity of its noble intentions and demonstrate by its every word and deed its right to be the political leader of society." See, M.S. Gorbachev, "Gorbachev Interview with \textit{Der Spiegel}," \textit{Pravda}, 24 October 1988: 1-2, translated in \textit{FBIS}, 25 October 1988: 31 (my emphasis).
\end{itemize}
they challenged the legitimacy of Soviet socialism and the political instrument appointed to construct it, that being the party. Thus, rather than sparking the public's interest in the process of reform and engendering their faith in the Soviet future, the liberalization process generated nothing but questions, doubts, and political conflict. This last point seems to be particularly important. For the political conflict that the liberalization process generated centred on two specific issues: first, the nature and scope of change required to build a prosperous Soviet economy; and second, how to reconstitute the Soviet federal system. This political conflict, and more specifically these two issues, will be the focus of the next chapter.
CHAPTER FIVE: THE DEBATE SURROUNDING GORBACHEV'S VISION OF ECONOMIC TRANSFORMATION

It was emphasized in the prior chapter that the primacy of politics over economics is a principle characteristic of communist systems. Restated, according to Nikolai Shmelev, "[in the Soviet Union], human well-being is made dependent on the durability of political power. ... Throughout the world, politics is an extension of economics but, in our country, economics is an extension of politics." Insofar as this is true, it must also be true that both the nature of the economic debate and the nature of the relationships between political elites conditioned -- and, to a large extent, determined -- whether economic perestroika would succeed or fail. In other words, it must also be true that a political environment of consensus, rather than conflict, was a necessary prerequisite for the success of economic perestroika.

This needs to be explained in greater detail. To do so, it must first be noted that the 19th Party Conference in 1988 marked an important turning point in the process of economic reform. More precisely, the conference was

significant because it motivated a distinct change in the Soviet political environment, particularly in the political environment of official Soviet decision-making circles. There were two reasons for this: first, the conference initiated a change in electoral laws, resulting in a swing in power from the party to the state; and second, the conference directed official economic debate away from within system change and toward systemic change, in effect, bringing to the fore demands, which up until this point, had come only from unofficial circles. To elaborate, until 1988, the centralized character of the Communist Party, norms of consensual decision-making, and collective responsibility for decisions in the Politburo conditioned the nature and scope of official economic debate. In other words, they constricted and confined debate to within-system changes. Beginning in 1988, old-style consensus building began to fail. This failure was indelibly linked to two things. The first one was the increasingly pluralist political sphere which required that Soviet officials be held accountable for their economic proposals. These conditions impelled officials not only to differentiate their views but, also, to defend their political interests. The second one was the state of intensifying economic, political, and ideological crisis. G. John Ikenberry emphasizes that a "crisis creates an environment in which elites seek alternatives to existing norms that have been
discredited by events." In the Soviet case, 'alternatives' became part of the problem rather than the solution. For there was consensus concerning the need for economic change. Yet political conflict still erupted concerning what would constitute this change and, as well, the manner in which to go about it. More specifically, political conflict erupted concerning how to accommodate republican demands, demands which affronted the power of a traditionally strong and dominant centre. Stated simply, in the face of such an interconnected series of crises -- indeed, crises which threatened the very survival of the Soviet state -- alternative economic programs became increasingly tied to instrumental political interests and not just objective economic and political criteria. This tendency toward political self-interest resulted only in further exacerbating both the Soviet state of crisis and, also, the political conflict among the elite.

The purpose here is to closely examine Soviet economic debate and the political rivalries which arose as a result of it. The discussion will centre on three elements: first, the period 1985-1987 where official Soviet circles sponsored within system change and unofficial circles sponsored systemic change; second, the 19th Party Conference as a stepping stone

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to systemic change in official circles with a particular focus upon Leonid Abalkin's role; and third, the official drive toward systemic change in the post-1988 period. This last element represents the primary focus of this chapter.

**THE PERIOD 1985-1987: OFFICIALLY SPONSORED WITHIN SYSTEM CHANGE VERSUS UNOFFICIALLY SPONSORED SYSTEMIC CHANGE**

During this period, Anders Aslund identified within the Soviet Politburo five "alternative programs for economic revitalization". As the word 'revitalization' implies, these programs remained confined within the existing Soviet socialist system: first, Gorbachev and 'radical reform'; second, Nikolai Ryzhkov and 'reform not disturbing Gosplan'; third, Lev Zaikov and 'technocratic rationalization'; fourth, Yegor Ligachev and 'socialist morality'; and fifth, Vladimir Shcherbitski and 'conservative reform requiring only a minimum of change'. Each of these five programs illustrated that the elite within official circles remained convinced of the existing system's potential. Indeed, each of these five programs sought to protect -- of course, to varying degrees -- traditionally sacred institutional and ideological foundations of the Soviet economic system. For Gorbachev, this implied an emphasis on a strong 'centre' and, moreover, an economic model which preserved and improved the planning mechanism and

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promoted an increase in the quantity and quality of production; for Ryzhkov, an emphasis on the continued primacy of Gosplan as the embodiment of centralized planning; for Zaikov, an emphasis on the critical role of patriotic appeals in the mobilization of public initiative within the economic sphere; for Ligachev, an emphasis on the party's leading role and socialist collectivism as the principle motivators of economic initiative; and, finally, for Shcherbitski, an emphasis on the traditional system in the most general of terms.

Even from inside these within system parameters for change, there was little room allowed for genuine debate, much less pluralism, within the party.280 This was largely because of Gorbachev's adherence to long-standing Politburo norms, norms which dictated consensual decision-making and the presentation of a united policy front. The removal of Boris Yeltsin from not only the Politburo but, also, the helm of the Moscow party apparatus was a clear illustration of Gorbachev's effort to contain debate within 'acceptable' parameters.281 At

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281 What must also be emphasized, here, is the impact which the Yeltsin affair had upon the average Soviet citizen, the person whose support Gorbachev desperately needed. The very foundation of Yeltsin's status as a politician rested with his image as a 'man of the people', a man who was willing to fight for the interests of every Soviet citizen. Thus, his removal -- and, indeed, Gorbachev's condemnation of his
the 1987 Central Committee Plenum, Yeltsin passed beyond the boundary by criticising Ligachev for his obstruction of perestroika and, as well, by questioning the integrity of party’s work in the process of reform. Gorbachev claimed that Yeltsin "went so far as to say that restructuring effectively does nothing for the people." What was paradoxical about this confrontation was that Yeltsin demanded nothing more than the enforcement of Gorbachev’s own professions. For Gorbachev himself stated that "speaking out at a plenum with criticisms of the Politburo ... and individual members should not be seen as anything out of the ordinary ... In the party there should be no zones closed to criticism." Regardless of this paradox, however, Yeltsin’s removal from the Politburo clearly indicated how limited the scope of economic debate was, even from inside the allegedly acceptable boundaries of within system change. Indeed, there can be no comparison between his criticism here of the party, Ligachev, and perestroika and actions -- undermined Gorbachev’s credibility; in other words, undermined the public’s perception of his commitment to the reform process. In effect, Yeltsin became an 'example' of what would happen to an individual if he/she overstepped the acceptable boundaries of within change as indicated by Gorbachev.

282 It is worth noting here that Yeltsin’s speech, ‘glasnost’ notwithstanding, was not published until 1989.


284 Ibid., 281-282.
that which he would level against Gorbachev and the state of the Union in 1990 and 1991.

It has already been established that, outside official circles, Soviet economic debate during this period extended beyond officially sanctioned parameters. Notably, Gorbachev made every effort to contain the nature and scope of this debate, demanding that the limits "[be] prescribed ... by the interests of the stability of [the] ... system and the socialist option." To illustrate this notion of 'limits' more clearly, it is necessary to consider his response to Nikolai Shmelev's suggestion that unemployment must be tolerated in the Soviet Union. Specifically, Shmelev maintained that "we should not close our eyes to the economic damage caused by our parasitic belief in guaranteed work. It is clear to all today that laziness, drunkenness, and waste stem from our excessive commitment to full employment." Although Gorbachev did not mention Shmelev by name, he issued the following statement shortly after Shmelev's suggestion: "discussions and speeches ... [must be] permeated with concern for socialism ... We must rebuff anyone who offers us anti-


In this instance, Gorbachev's reference to 'anti-socialist alternatives' was in response to what he believed was a suggestion outside the acceptable limits of economic debate, namely, the toleration of unemployment in the Soviet Union.

At this point, what must be examined more closely is the unofficial debate itself. There are two elements of this debate, in particular, which deserve consideration. The first one focuses on the criticism levelled against both the traditional economic system and its strategies of growth. The second one revolves around the character of the systemic changes proposed. To begin, it must be noted that criticism of the traditional economic system often questioned the past achievements of the Soviet economic model. Restated, such criticism challenged the legitimacy of the old economic order. Nikolai Petrakov, for example, claimed that the 'centre' had long ago lost control over economic development. Indeed, he maintained that, though there might have been plans -- detailed blueprints -- there was, however, no planning. In

287 What is interesting here is that Gorbachev, despite his demand to reject anti-Socialist alternatives, still insisted that 'people' were not proposing a change of 'system'. Indeed, if this were true, why was he so anxious to contain the boundaries of economic debate? See, M.S. Gorbachev, "The Fundamental Question of Restructuring," Pravda, 13 June 1987: 1-3, translated in CDSP XXXIX, no.24 (1987): 8.

Petrakov's words, the Soviet plan embodied nothing more than: "I issue directives, I grant approvals, therefore I plan." 289

The plan merely "rubber-stamp[ed] an inertial development." 290

What is particularly interesting about his argument here is that it completely delegitimized the officially articulated opposition to systemic change. For such opposition had long been based on one premise: that the introduction of market forces would result in a loss of central control over national economic development.

Turning toward the criticism levelled against the traditional growth strategy -- more specifically, Gorbachev's application of it -- it must be emphasized that such criticism implicitly questioned Gorbachev's commitment to change and, therefore, his authority to lead the process of reform. Recall from chapter three that, during this period, Gorbachev's program for economic and social development -- an effort to simultaneously accelerate economic growth, raise the technological level of industry, and improve the quality and quantity of goods -- accorded a leading role to the traditionally favoured sector, heavy industry. In response to this program, Vasily Selyunin, for example, maintained that economic acceleration could no longer generate an improvement

289 Ibid.

290 Ibid.
in Soviet living standards. He specifically isolated living standards because it was on this, he claimed, that the leadership should focus. For Selyunin recognized that if perestroika was to succeed, it would require the enthusiastic support of the Soviet people; moreover, that if this support was to be mobilized, it would be necessary for the leadership to accord priority to the consumer goods sector and not heavy industry. He was aware that the former assumed only a small share of total Soviet output and thus that aggregate economic growth would, at best, slow down and, at worst, become negative. However, according to Selyunin and, as well, Nikolai Shmelev, this sacrifice of 'quantity' was necessary. To them, Gorbachev's goal to increase quantity and quality was not only contradictory but, also, nothing more than a pipe dream. Shmelev, for example, claimed that to believe in such a goal "[was] a delusion. ... [It justified] the existence of bureaucrats, the slaves of the system who [advocated] 'growth at any cost', which in fact [lead] to a slump, rather than a rise in production." Thus, he concluded that the goal "[could not] be resolved without substantial costs. It [would]
be necessary to sacrifice either one or the other..."293

These criticisms prompted a rejection of within system change and, necessarily, provided a stepping stone to demands for systemic change.294 In large measure, these demands revolved around the issue of transition to a market economy. Shmelev, for example, claimed that economic crisis in the Soviet Union was simply the product of "persistent and prolonged attempts to circumvent the objective laws of economic life"295 or, in other words, market forces. Thus, the implication was that, in order to evade further crisis, a concerted move toward the market would be necessary. To see what this entailed, it is necessary to look at Selyunin's vision of systemic change. He endorsed the existence of


294 These demands for systemic change emerged amid concerns expressed by some Soviet scholars, particularly Larisa Piyasheva (alias L. Popkova), that socialism was incompatible with the market. These concerns, of course, would challenge the very premise of Gorbachev's new socialist model as explained in chapter three. Indeed, his model was based upon the assumption that the plan could be combined with the market. For a discussion of the claim that there was no 'third way', see L. Popkova, "Where are the Pirogi Meatier?" Novyi Mir, no.5 (1987): 239-41, translated in Problems Of Economics (February 1988): 44-48.

private enterprise\textsuperscript{296} and asserted that all sectors, including the state sector, should operate under market conditions. Within this context, Selyunin maintained that consumer orders would determine production and only the buyer and seller would assign prices. Most notably, he voiced support for a complete and immediate transition to the market, a transition along the lines of the Polish Balcerowicz Plan in 1989. The reason Selyunin cited for this 'radical' strategy was simply that "history will not forgive us if we miss our chance. \textit{An abyss must be crossed in a single step}."\textsuperscript{297}

Before going on to discuss the movement in official circles from within-system change toward systemic change, one point is worth brief consideration here. Indeed, it is important to note that this movement from one notion of change to another entailed a fundamental transformation not only in ideas but, also, in the composition of the elite structure itself. Consequently, for members of the unofficial circle who advocated systemic change during this period, there were two choices: first, to remain within the unofficial ranks as a critic of systemic transition plans; or second, to join the official ranks and, thus, attempt to affect change from within


\textsuperscript{297} Ibid., 17.
the leadership elite.  

ABALKIN AT THE 19TH PARTY CONFERENCE: A STEPPING STONE TO SYSTEMIC CHANGE  

As outlined at the outset of this chapter, the 19th Party Conference represented a turning point in the reform process. For it motivated a shift in the process away from within system change and toward systemic change. Notably, the conference also marked Leonid Abalkin’s official ascent to the informal position of economic advisor to Gorbachev. Not only was he the sole economist among full delegates represented at the event but, also, he was the sole economist to speak. Yet, Abalkin’s presence at the conference was significant for more than just this. To elaborate, there are two points which must be emphasized. First, his criticism of perestroika’s progress and the leadership’s reform strategy served to delegitimize the nature and scope of the existing state of reform. These criticisms, along with others voiced at the conference, motivated the concerted turn away from within-system change and toward systemic change. Second, the confrontation between Abalkin and Gorbachev was indicative of the political conflict  

298 For Nikolai Petrakov, his choice was to affect change from within the leadership elite. In 1990, Petrakov became Gorbachev’s personal aide for economic affairs. For Nikolai Shmelev and Vasilyi Selyunin, their choice was remain within unofficial ranks as critics of systemic transition plans.
which would emerge in the face of an increasingly pluralistic political realm. To be more precise, the confrontation was a microcosm of the struggles which would waged between elites in the post 1988 period.

In his speech to the conference, Abalkin identified three major crises which were afflicting the Soviet system at that time, those being economic, political, and ideological.\(^{299}\) Beginning first with the economic crisis, he emphasized that "there [had] been no radical breakthrough in the economy and [that] it [had] not emerged from a state of stagnation."\(^{300}\) Second, he implicitly pointed to a political crisis, in essence, a crisis of authority. He did so by questioning the ability of the leadership to direct change. Indeed, Abalkin indirectly accused the Soviet leadership -- or, more precisely, Gorbachev -- of economic illiteracy. Quoting a 19th century economist Nikolai Turgenev, he stated:

> It is the responsibility of those governing the state to have a thorough knowledge of political economy; and one can confidently say that any government that does not understand the rules of this science or has contempt for them is bound to suffer financial ruin.\(^{301}\)

\(^{299}\) Just as interesting as the crises which he identified was the one crisis, although perhaps in its embryonic stage, which he ignored, that being the ethnic crisis.


\(^{301}\) Ibid.
Abalkin then remarked that the 12th Five-Year Plan was a "graphic illustration"\textsuperscript{302} of the above assessment. Like so many from unofficial circles, he maintained that the simultaneous emphasis on quantity and quality was "incompatible".\textsuperscript{303} For the quantitative approach to growth promoted neither the opportunity to "[improve] output quality, ... [and] efficiency" nor the opportunity to "turn the economy around toward the consumer."\textsuperscript{304} Third, and finally, Abalkin alluded to an ideological crisis, this by asking: "Are we capable of ensuring the democratic organization of public life while preserving ... the one-party system? ... Yes or no?"\textsuperscript{305} Restated, his question cast doubt on the legitimacy of the party's vanguard role in Soviet society. More precisely, and perhaps more importantly as well, his question implicitly cast doubt on the ability of the one-party system to generate an adequate expression of alternative approaches to, and proposals for, the solution of economic problems.

At this point, it is necessary to briefly consider Gorbachev's response to Abalkin's speech. For, as noted above, the confrontation was an important one; it was indicative of the struggles which would emerge among the elite in the post

\textsuperscript{302} Ibid.

\textsuperscript{303} Ibid., 167.

\textsuperscript{304} Ibid.

\textsuperscript{305} Ibid., 168.
1988 period. To begin, what must noted is the political nature of the confrontation. To be more precise, the premise of Gorbachev's attack on Abalkin's evaluation of the three crises was more political than economic. Indeed, although Gorbachev accused Abalkin of being an 'economic determinist', he spent considerably more time criticizing his views (or, rather his apparent views) of political change. For example, he charged that "[Abalkin] expressed himself in a spirit suggesting that it is not very important how delegates are selected, how a session is held, or what political institutions there will be." However, Gorbachev distorted Abalkin's comments. In fact, Abalkin had stated clearly that "it [was] necessary to have a very precise idea of how to elect deputies." Within this context, his only point had been that elaborate elections rules would be ineffective if local authorities had no independent source of revenue. Abalkin emphasized that "it [was] necessary to change the actual economic conditions of the activity of the Soviets at all levels and give this authority a real economic foundation -- a financial basis -- and considerable room for manoeuvre." Gorbachev's


308 Ibid.
distortion of Abalkin's comments revealed that his attack was not based on a question of how delegates were to be selected. Rather, his attack was premised on a political issue of profound importance to Gorbachev, that being the vanguard role of the party. For, as has already been shown in the previous chapter, Gorbachev hoped to relegitimize the party's leading role in Soviet society. Abalkin's comment, then -- his questioning of the one party system and its legitimacy -- threatened Gorbachev's political interests. How was this confrontation indicative of the struggles which would be waged over economic reform in the post 1988 period? Stated simply, it revealed that struggles over the transition to a market economy would ensue not only over objective economic conditions and economic principles of transformation but, also, purely political motives of a subjective and instrumental nature.

**TOWARD SYSTEMIC REFORM IN THE POST 1988 PERIOD**

On July 5, 1989, Abalkin became Chairman of the new State Commission of the USSR Council of Ministers on Economic Reform. There were two reasons (one economic in nature and, the other, political) which prompted the formation of this commission. The first reason concerned the deteriorating state of the Soviet economy, where each and every sector had reached a crisis stage. Marring economic conditions were a combination of intertwined factors: an uncontrolled growth in prices, a
staggering increase in the money supply, store shelves barren of goods, and the rationing of daily necessities in a majority of Soviet cities. \(^{309}\) According to Yegor T. Gaydar, the severity of these economic conditions created a dilemma for the Soviet leadership; "either ... intensify the reform or ... strengthen the administrative regulation of economic life ([in other words,] retreat)." \(^{310}\) Gorbachev intended the formation of the new state commission to mark a step in the direction of the former. The second reason concerned the perceived incompetence of the existing government lead by Ryzhkov. In June of 1989, for example, Shmelev accused Ryzhkov of underestimating the threat of economic collapse posed by the budget deficit. \(^{311}\) What is particularly interesting about these two reasons is the fact that they represented two of the crises which Abalkin identified at the 19th Party Conference, namely, an intensifying economic crisis and a crisis of political authority.

According to Anders Aslund, this new commission and the choice of its chairman "obviously came from Gorbachev." \(^{312}\)

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\(^{310}\) Ibid., 13.

\(^{311}\) See Keesing's (May 1989): 36744.

Following from this, there is one question which must be answered: Given their open confrontation at the 19th Party Conference, why did Gorbachev choose Abalkin? There were two reasons. First, Gorbachev realized that it was necessary to offset not only the conservative^{313} but, also, the mediocre^{314} cast of those in economic decision-making circles and, thus, inject some dynamism into the reform process. For, as noted above, the severity of Soviet economic conditions confronted Gorbachev with a choice, either to move forward with economic reform or to retreat. Had he made no move to intensify the economic reform process, therefore, it would have signalled his opposition to, and indeed his rejection of, more far-reaching reform. Moreover, with an increase in popular pressures to improve the Soviet standard of living, Gorbachev realized that he could ill afford the prolonged stagnation of reform; at least, not if he hoped to secure even a modicum of

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^{314} Ryzhkov, for example, during the course of his tenure as Premier, had demonstrated his inability to prevent, or at least curb the effects of, financial disarray.
support from the Soviet people.  

Second, the 19th Party Conference, lead by Abalkin himself, delegitimized the notion of 'acceleration'. Gennadiy Zoteyev, deputy director of the Economic Research Institute of Gosplan, confirmed this: the "myths propagated by [Abel] Aganbegyan indicating that scientific-technological progress reinforced by the human factor would allow us to accelerate the rate of economic growth have been dispelled." As has already been noted, this motivated a movement in official circles away from within system change toward systemic change. Recall, however, that Gorbachev's vision of economic transformation fell short of endorsing systemic change. Thus, he did not support those, like Selyunin, who believed that there was but one solution to the Soviet economic crisis; that being, a complete and immediate transition to a market economy


and a deregulation of prices. Abalkin, then, represented a compromise figure, a figure who, according to Boris Rumer, would be able to "sustain the image of ongoing reform without going beyond [the leadership's] self-imposed limits."

This view of Abalkin as a compromise figure is an important one which must be examined more closely. As suggested above, the compromise was between within-system change, already delegitimized by the unsuccessful attempt to accelerate economic growth, and systemic change, unacceptable to Gorbachev because it threatened the primacy of the centre and the integrity of socialism. Insofar as this was true, Abalkin was both an appropriate and a logical choice for Gorbachev. There were two reasons for this. The first reason is that Abalkin had earned the respect of both reform-minded intelligentsia and, also, broad segments of the Soviet population. What cultivated this respect was his candid denunciation of acceleration and, in more general terms, his pointed criticism of the reform process itself. Izvestiya,

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317 Indeed, Gorbachev stated: "Some believe that [our] problem[s] should be solved by bringing all the mechanisms of a market into play; let the market put everything in its place. We do not share this approach; it would explode the entire social situation at once and disrupt all processes in the country." See M.S. Gorbachev, "On the Basic Guidelines of the USSR's Domestic and Foreign Policy," Pravda, 31 May 1989: 1-3, translated in CDSP XLI, no.25 (1989): 3 (my emphasis).

commenting on his nomination to the post of Deputy Premier, remarked: "His honest and therefore harsh assessment of the economic situation of the country is well known to many -- from housewives to enterprise directors." By coopting this popularity into the reform process, Gorbachev hoped to accomplish two things. On one hand, he hoped to lend legitimacy to the reform process. For much of it had been lost in the face of both a confused and uncertain leadership and, also, an intensifying economic crisis. On the other hand, he hoped to offer encouragement to 'liberals' who sought more far-reaching economic reforms and, in so doing, to enlist their support, however cautious.

The second reason is that Abalkin's ideas for change fell within parameters acceptable to Gorbachev. Stated simply, Abalkin neither advanced private property nor rejected centralized state regulation (and, thus, a strong centre). He claimed that it was *wrong* to reduce all reforms in socialism's economic system to the transition to market-based methods of economic regulation. Like Gorbachev, he called for the formation of a socialist market. According to Abalkin, the chief objective of economic reform was to create an economic system which combined "the intensification of [the

319 Ibid., 75.

market's] impact on production with the improvement of centralized planned management." Moreover, he deemed that the 'market' would attain its socialist character via a "socialist type of ownership of the means of production" or, in other words, via public and not private ownership.

It should now be clear why Abalkin represented a 'compromise figure'. What is not entirely clear, however, is who in the leadership endorsed Abalkin, only Gorbachev or Gorbachev and Ryzhkov. Boris Rumer claims that it was in fact both men. Yet there is evidence to suggest otherwise. Two weeks after Abalkin's appointment, Ryzhkov implicitly criticized Gorbachev at a Central Committee meeting. He asserted that Gorbachev should "give more attention to his party obligations" and that, in order to facilitate this, it was necessary "to free him from the detailed questions which overwhelm him." Ryzhkov's reference to 'overwhelming detail' implied the following: first, that Gorbachev should allow others to chair the sessions of Congress and the Supreme

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321 Ibid., 7.

322 Ibid., 13.


This was the first clear rift between Gorbachev and Ryzhkov to emerge in public.
Soviet; and second, that Gorbachev should cease interfering in the work of the Council of Ministers. This latter implication, for the purposes of this discussion, is most important. For it indicated a tension between Ryzhkov and Gorbachev, one presumably caused by Gorbachev's interference. Following from this, it seems probable that Ryzhkov disagreed with Gorbachev's choice for chairman of the new state commission (and, subsequently, for Deputy Chairman of the Council of Ministers). Indeed, it seems probable that this disagreement, in turn, prompted Ryzhkov's criticism of Gorbachev at the Central Committee meeting.325

Although identifying exactly who endorsed Abalkin may seem peripheral, in fact it is not. For it determines how to assess the nature of the relationship between Ryzhkov and Abalkin. Rumer's claim that both Gorbachev and Ryzhkov endorsed Abalkin, leads him to a false conclusion, namely, that "it is unlikely that serious conflicts over the pace and methods of economic reform will emerge between the Prime

325 Along the somewhat different lines, Anders Aslund observes that new commission, and thus by extension Abalkin himself, threatened Ryzhkov's political authority. Specifically, Aslund claims that "the new Reform Commission constituted a great step forward for the group of academic reform economists. The main losers were Gosplan, ... Ryzhkov, and the CC of the CPSU." For further discussion, see Anders Aslund, "The Making of Economic Policy in 1989 and 1990," Soviet Economy 6, no.1 (1990): 82.
Minister and his Deputy.\textsuperscript{326} Stated simply, it is Rumer's initial claim which prompts him to overlook, or simply discount, the political conflict which did in fact arise between Ryzhkov and Abalkin, conflict which arose as a result of fundamentally different outlooks on economic reform.

In large measure, this political conflict emerged as a result of the distinct difference in character between Ryzhkov and Abalkin; this because, it was their character which conditioned how they approached the process of economic change. On the one hand, Ryzhkov, a technocrat, envisioned the development of a better and stronger Soviet state according to four factors: leadership, discipline, stratification, and technology.\textsuperscript{327} Pragmatic and empirical, his concern was with instrumental questions. On the other hand, Abalkin was not a technocrat but, rather, a representative of the intelligentsia and a reform economist. He was systematic in his approach to economic reform. In other words, he emphasized that a better and stronger Soviet state would emerge from only one kind of reform, reform which had been thought through in a sufficiently scientific and theoretical manner. Thus, Ryzhkov and Abalkin approached change from two fundamentally polar


\textsuperscript{327} For further discussion of this point, see Seweryn Bialer and Joan Afferica, "The Genesis of Gorbachev's World," \textit{Foreign Affairs} 64, no.3 (1986): 605-644.
extremes, the former from a practical perspective and the latter from a theoretical one.

This difference in approach to economic reform also influenced and, therefore, differentiated their evaluations of the Soviet economic order. In other words, because Abalkin's outlook on economic reform differed from that of Ryzhkov, it necessarily followed that Abalkin would observe the progress of perestroika in very different way as well. To see this more clearly, what must be considered is their assessments of economic reform during the following periods: first, 1985-1986, which marked an attempt to accelerate economic and social development; second, 1987-1988, which witnessed both a weakening of old administrative methods of management and a corresponding failure to establish a new economic mechanism; and third, 1989, which marked an increase in the instability of the Soviet state.

With reference to the first period, Abalkin's position should be quite clear as it has been discussed earlier. Stated simply, he rejected the leadership's acceleration strategy, claiming that it was both ill-conceived and contradictory. He asserted that the leadership failed to take into account "the

\[\text{328 It should be noted that both Abalkin and Ryzhkov gave these assessments as a preamble to their economic stabilization plans introduced in 1989, one by Abalkin in October and, the other, by Ryzhkov in December. These assessments are interesting because they examine the same events at virtually the same time and within virtually the same context.} \]
fundamental impossibility of creating effective incentives in the context of the existing and increasingly 'heavy' production structure ..."\(^{329}\) To the contrary, Ryzhkov did not reject the strategy of acceleration nor did he claim that it was contradictory. Rather, he maintained that the leadership simply "underestimated [the] complexity and scale" of economic crisis and, therefore, "drew an excessively optimistic conclusion about the possibility of overcoming [it]."\(^{330}\) For Ryzhkov, it was not the strategy itself that was ill-conceived but, instead, the leadership's assessment of economic crisis and its severity.

With reference to the second period, Abalkin attacked the leadership's unsystematic approach to economic change. He maintained that a "failure to put [the Soviet] financial house in order" and to address the "shortcomings in the previous system of price formation" invariably "led to serious distortions in production and aggravated existing shortages and imbalances."\(^{331}\) Ryzhkov, on the other hand, claimed that


the problem during this period was social. Stated simply, the increase in economic independence granted to enterprises and associations "was not accompanied by corresponding measures to increase responsibility and discipline." For Ryzhkov, the leadership simply failed to establish the appropriate social and psychological conditions necessary to temper the effects of economic independence and to strengthen labour discipline. It was to this failure, and not to the absence of economic methods, that he accorded declining production volumes and increasing material and financial imbalances.

With reference to the third, and final period, Abalkin once again deemed that it was the leadership's unsystematic approach to change which created political instability. He claimed that "ongoing politicization of the masses [was] outstripping the real transformations in the economic and political structures." What must be noted here is that he did not condemn the effects of this politicization but, rather, he cautioned that course of economic change be adjusted with "precision". To the contrary, Ryzhkov,

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334 Ibid.
examining the same "backdrop of rapidly developing processes in society", ascertained that its effects were "undesirable", that they "seriously [complicated] economic development." Here, he cited "a falloff in ... labour discipline and a decline in responsibility for fulfilling commitments .. to the state." Thus, unlike Abalkin, Ryzhkov explicitly condemned the effects of political instability during this period, the effects of "nationality-based clashes, strikes, ... and 'blockades' ... on main rail lines". He did so on the premise that these conditions promoted a lack of discipline, responsibility, and order in Soviet society, all of which he emphasized would be necessary to assure success in the process of economic reform.

It should be clear that Abalkin and Ryzhkov, by virtue of their very different characters, approached and evaluated economic reform in fundamentally different ways. The political conflict which arose as a result of these differences created two distinct decision-making centres within the Soviet government. To be more precise, political conflict became manifested in a 'parade of economic plans', a number of diverse and uncoordinated economic reform proposals. The


336 Ibid.

337 Ibid.
consequence here was only further indecision and confusion regarding the appropriate course of action to take. There were three programs in particular which emerged from this political conflict: the first, by Abalkin in October of 1989; the second, by Ryzhkov in December of 1989; and finally, the third, again by Ryzhkov in May of 1990. Each of these three proposals will be considered more closely below.

The 'Abalkin program' (see appendix A) was the first comprehensive proposal to outline a transition to a market economy. Thus, it marked a radical departure from

338 There is one important string of commonality among these programs, that being their rejection of the 'radical model' -- an abrupt break away from the existing economic order and structure, accompanied by a simultaneous release of all restrictions on the market. Both Abalkin and Ryzhkov warned of runaway inflation, mass unemployment, and, in more general terms, political and social upheaval.

339 What is interesting to note here is an observation that Aslund makes about Ryzhkov's actions during this period. He claims that Ryzhkov delivered a speech on economic reform to the Supreme Soviet at the same time as Abalkin's program was published. According to Aslund, Ryzhkov did not explicitly contradict Abalkin but, rather, completely ignored his program and the commission itself as if they did not exist. This point is an important one because, if Ryzhkov did in fact ignore the existence of both Abalkin’s program and the commission, it reinforces the claim that Ryzhkov neither supported the commission nor Abalkin himself. Furthermore, it suggests that Ryzhkov did not support Abalkin’s program. See Anders Aslund, "The Making of Economic Policy in 1989 and 1990," Soviet Economy 6, no.1 (1990): 83.

340 It is worth noting here that the Abalkin program did not endorse private property. Indeed, the program explicitly emphasized that "the diversity of forms of public ownership is not a transitional stage but the normal state of the socialist economy." See, A.L. Abalkin, "The Radical Economic Reform -- Top-Priority Tasks and Long-Term Measures,"
past reform measures which, as emphasized earlier, remained dedicated to the rigid parameters of within system change. Identifying the market as the principal coordinating mechanism, and thus explicitly favouring the market over centralized planning, the Abalkin program emphasized: "We have become convinced on the basis of our own experience that there is no worthy alternative to the market mechanism as a means of coordinating the actions and interests of those engaged in economic activities." The program, furthermore, stipulated that if the market was to function effectively it must be characterized by "unfettered pricing and economic competitiveness." The Abalkin program conceived a step-by-step introduction of the market beginning in 1991. The Ryzhkov program (see appendix B), introduced in December of 1989,


341 Ibid.

342 Ibid.

343 The Ryzhkov program explicitly rejected private ownership and extensive denationalization of state property. These were simply "very controversial proposals, ones with which the government could not agree." See N.I. Ryzhkov, "Efficiency, Consolidation and Reform Are the Path to a Healthy Economy," Pravda, 14 December 1989: 2-4, translated in CDSP XLI, no.51 (1990): 4.
postponed this process until 1993. In the interim, Ryzhkov aimed to stabilize the Soviet economy via recentralization. To justify this move, he claimed that "a set of emergency measures [were necessary] to overcome the existing situation in the economy, above all the budget deficit and the profoundly unbalanced state of the consumer market." In other words, for Ryzhkov, the proposed temporary return to centralized or directive planning was necessary in order to give the future socialist market a chance for success. It should be quite evident that this move to recentralize marked a step backward in the process of economic reform. More precisely, it represented, at best, a substantial retreat from

In January 1990, Gorbachev made a move to distance himself from Ryzhkov and his program, this by appointing Nikolai Petrakov to be his personal aide for economic affairs. As discussed earlier, Petrakov was a prominent Soviet advocate of a market economy.

Worth noting here are two responses to Ryzhkov's program, one from Anatoliy Sobchak and the other from Selyunin. Sobchak asserted that "the government’s programme [lacked] an underlying foundation. After all, the main questions of economic perestroika -- the problem of ownership, land, and the demarcation of the powers of the republics and the centre -- have not been resolved." (Note as well that these 'main questions' were not resolved under Abalkin's program either.) Selyunin, on the other hand, defined the program's logic as follows: "In order to abolish the command system, you first need to consolidate and strengthen it. To restore it to at least the state it was in before perestroika." See "Deputies Analyze Economic Reform Progress," Sotsialishcheskaya Industriya, 5 December 1989: 1, translated in FBIS, 15 December 1989: 36-37; and V. Selyunin, "Selyunin Criticizes the Government Program," Komsomolskaya Pravda, 17 January 1990: 1, translated in FBIS, 26 January 1990): 101.

Ibid.
the Abalkin program and, at worst, a total rejection of it. Most notably, the Ryzhkov program conjured memories of past Soviet leaderships and their efforts to reform the economy, memories of their failure not only to ensure the success of economic reform but, also, to prevent a retreat. For, as Gennadiy Zoteyev observed, "... past experience in reforming the Soviet system ... teaches us that the reestablishment of the old system begins with ... the usual promise of new reform in the future, once the proper conditions have developed." 347

In May of 1990, Ryzhkov submitted a new version of his economic program (see appendix C). While he still underscored the necessity for stabilization measures, he now emphasized that, given the worsening economic situation, a transition to a 'regulated market economy' was required. The cornerstone of his program was a proposal to substantially increase consumer prices. 348 This issue of price increases appeared to spark a conflict between Ryzhkov and Abalkin, a conflict not about whether to raise prices but, rather, a conflict about how to proceed with such increases. Ryzhkov himself claimed that "in


348 In response to this, Gorbachev asserted that to begin an increase in prices "was the wrong way to go". See M.S. Gorbachev, "Speech by M.S. Gorbachev on the Results of the Discussion of the CPSU Central Committee's Political Report to the 28th Party Congress," Pravda, 11 July 1990: 1-2, translated in CDSP XLII, no.34 (1990): 17.
the process of preparing the price-formation reform, various, often diametrically opposed, viewpoints on conducting it were considered." 349 These two viewpoints encompassed the following options: first, a one-time changeover from fixed state prices to unrestricted prices for most types of production and technical output as well as for goods and services; and second, a stage-by-stage introduction of market methods of price formation in combination with state control over the level and dynamics of prices. It was the second option which Ryzhkov adopted. Apprehensive about both the social and political consequences, he rejected the first option on the premise that it "would lead to a drastic worsening of living conditions." 350

The principle proponent of this first option, and thus the principle actor in conflict with Ryzhkov, appears to have been Abalkin. Just two months prior to the introduction of Ryzhkov's plan, Abalkin, in an unpublished memorandum 351, criticized Ryzhkov all but by name. He argued that the government's policy was making the economic situation worse


350 Ibid.

not better. Moreover, according to Abalkin, "the growth of centrifugal forces" in the economy implied that stabilization plans via the old administrative system (as outlined in the December 1989 Ryzhkov plan) would not work effectively.\(^{352}\) Thus, he maintained that there was no alternative but to enact immediate measures aimed at bringing about the creation of an all-Union market\(^{353}\). To further delay such measures would only succeed in postponing the inevitable and invariably increase the costs of transition. Consequently, he called for all central plan controls over production targets, purchasing, and price formation to be abolished for most industrial sectors and for construction. Here enterprises would be free both to secure their own customers and suppliers and, as well, to trade at contract prices. The result, Abalkin anticipated, would be an immediate 150-200 percent increase in consumer prices, after which, he claimed, prices should stabilize.\(^{354}\) On the basis of what has been outlined here, then, two things should be clear: first, that it was Abalkin who Ryzhkov struggled with over the issue of price formation; and second, that Abalkin's authority, already diminished as a result of

\(^{352}\) Ibid., 4.

\(^{353}\) This issue of a single, all-Union market versus a multiplicity of markets (for example, republican markets) will be discussed later.

\(^{354}\) It should be noted that, for basic inputs such as oil, gas, coal, electricity, and metals, Abalkin recommended that prices be centrally controlled. See Ibid.
the setback which he and his commission experienced at the hands of Ryzhkov in December of 1989, was diminished further; this because it was Ryzhkov, and not Abalkin, who prevailed. Beyond this struggle between Abalkin and Ryzhkov over price-formation, there is one point regarding Ryzhkov's program which is worth mentioning here. It concerns the response to his proposed price increases. Although Ryzhkov promised compensation as well as indexation of future incomes, the Soviet population seemed unwilling to trust his assurances, especially given his past performance. Indeed, it was Pavel Bunich who best characterized the population's perception. Stated simply, he referred to the proposal as "shock without therapy." What resulted was a wave of panic buying and hoarding and, moreover, a decline in bank deposits through both June and July. The Supreme Soviet responded to this consumer anxiety by rejecting Ryzhkov's program and by demanding that he introduce an improved version in September of 1990.

It must be emphasized at this point that, in the midst of the political rivalry and conflict which motivated this barrage of economic programs, the Soviet economy continued its downward spiral. Unable to control, much less curb, the intensification of economic crisis, the Soviet leadership --

or, more precisely, the political 'centre' -- witnessed a decline in both its authority and legitimacy. In short, declining economic conditions throughout the Soviet Union reinforced centrifugal forces and thus the disintegration of the centralized union. Individual republics seeking to invigorate their economies began to reject the centre, to blame their economic inefficiency on centralized planning and, in the case of the Baltics, on the idea of a union itself. From this perspective, sovereignty -- or, indeed, outright independence -- represented a means of escape from the control of the political centre, an opportunity to affect the changes necessary for an improvement in their economy given their own particular circumstances and concerns. Most notably, Yeltsin's ascent to president of the RSFSR in May of 1990 was indicative of the centre's declining authority and legitimacy. To see this more clearly, it is necessary to consider two points which Yeltsin raised in a speech to the RSFSR Congress of People's Deputies just one week prior to his election. The first one concerns his perception of the 'centre', a perception which exhibited little faith in the centre's ability to extricate Russia from its economic hardships in either the short or the long term. Yeltsin asserted that "the centre is for Russia today the cruel exploiter, the miserly benefactor, and the favourite who does not think about the
future."\textsuperscript{356} His second point was premised on the following claim: that the problems which plagued the republic could not be solved lest Russia secure both its economic and political sovereignty. Yeltsin ascertained that economic sovereignty would be "possible only on the condition that republican ownership [was] formed, whose basis ... [would] be the land, ... natural resources, enterprises, all produced output, and its scientific-technical and intellectual potential."\textsuperscript{357} He affirmed that for political sovereignty "the republic must have the right to introduce and cancel economic mechanisms on its territory and conduct cardinal reforms of them, without the obligatory consent of the Union government."\textsuperscript{358} Stated simply, on the basis of these points -- points which exposed the declining legitimacy of the traditionally dominant position of the centre and, more precisely, the existing order of relations between the republics and the centre -- Yeltsin sought to legitimize and solidify his own political position.

As a popular opposition figure and as the leader of Russia, Yeltsin's rise to power both strengthened centrifugal


\textsuperscript{357} Ibid.

\textsuperscript{358} Ibid., 336.
forces and complicated the centre's economic reforms. To continue with this latter point, Yeltsin became particularly troubling to the centre for two reasons. First, he directly challenged the legitimacy of the central leadership. Yeltsin, for example, demanded that the Ryzhkov government resign as a consequence of its failure to proceed with economic reform plans. Second, he directly challenged the process of perestroika, a process which had stalled in the face of political conflict and indecision. Yeltsin did so by advancing his own comprehensive plan for transition to a market economy; a '500 day program' featuring both rapid and massive privatization and, also, swift marketization. With this plan, Yeltsin promised to instill order out of chaos. Given the rapidly intensifying state of economic crisis, how was he able to make such a promise credible? In large measure, Yeltsin capitalized on the advantage of his position, that being, a leader in opposition. Accordingly, this implied that he could credibly advance two assurances: on the one hand, that economic problems were easier to confront, and indeed easier to solve, than the Soviet leadership demonstrated; and on the other hand, that the introduction of a market economy need not

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359 Ed Hewett notes that when Russia joined in the republican battle against the central government, it was a tremendous coup for the other republics. This was because Russia represented the core of the Soviet Union and, more notably, Gorbachev's power base. See Ed A. Hewett, "The New Soviet Plan," Foreign Affairs (Winter 1990-91): 146.
be painful\textsuperscript{360}, at least not if it were managed and directed with care and competence.

This notion of Yeltsin as a leader in opposition is an important one which must be considered here more closely. By virtue of this position, he simultaneously represented three distinct yet, at the same time, intricately intertwined interests: republican, radical economic, and popular (general population). He represented republican interests because he demanded both political and economic sovereignty not only for Russia but, also, the other republics; radical economic because he advocated rapid transition to a market economy accompanied by privatization; and popular because he promised a painless economic transformation. To the contrary, although very powerful on paper\textsuperscript{361} and much revered internationally, Gorbachev's popularity at home both among the republics and

\textsuperscript{360} For example, Yeltsin claimed: "The main thing is for us to find the only right solution to the issue [of economic reform]: how to switch over to a market in a relaxed manner, without lowering the living standards of the population." Quoted in, Aurel Braun and Richard B. Day, "Gorbachevian Contradictions," Problems of Communism (May-June 1990): 47 (my emphasis).

\textsuperscript{361} In June of 1990, the Supreme Soviet authorized Gorbachev to use his power of presidential decree in order to implement a number of economic reform measures. These measures were designed to move the state toward a regulated market economy. What must be emphasized here is that as a result Gorbachev assumed direct responsibility for economic reform. Until this point, Ryzhkov and, in more general terms, the Soviet central government had served as Gorbachev's shield. For they bore the brunt of criticism, criticism which, had it not been for either Ryzhkov or the government, would have been directed against Gorbachev.
the people was low, especially relative to Yeltsin. Given this lack of popularity, and as well the fact that the central government had stalled in its attempts to develop a coherent and comprehensive economic program, Gorbachev's collaboration with Yeltsin was both a necessary and a sufficient condition to affect perestroika's renewal. For the Soviet leadership may have initiated the process of perestroika from above and from the centre. However, now that individual republics had declared sovereignty and Russia, for example, had instituted its own transition to a market economy, a dramatic change in the process of perestroika itself was required. Indeed, if the process was to be a legitimate one, it now required not only the support of the Soviet population in general but, also, the cooperation of the republics and, more importantly, a reconstitution of the Union. Insofar as this was true, Gorbachev's effort to collaborate with Yeltsin in August of 1990 served to legitimize and renew the process of perestroika in a three-fold manner: first, it promised to break the stalemate in economic reform by circumventing Ryzhkov and the central government; second, it signalled to the republics that the centre was willing to cooperate and, possibly, to make concessions; and third, as a result of Yeltsin's popularity, it promised to motivate a greater degree of interest in, and support for, the process of change among Soviet population.

This collaboration between Gorbachev and Yeltsin produced a joint-working group lead by Stanislav Shatalin. The
group was charged to prepare a strategy for the introduction of a market economy as the foundation for a new Union treaty. From the outset, it appeared that the group’s resultant economic program\(^{362}\) (see appendix D) would conflict with the central government’s intentions or, more precisely, with Ryzhkov’s intentions. There were two reasons which suggested this. The first reason was that Ryzhkov himself was not directly involved in the group’s work. In fact, the only direct link between the Ryzhkov government and the working group was Abalkin. Yet not even Abalkin remained for the duration of the group’s deliberations\(^{363}\), this because, according to Yavlinsky, he did not share the group’s radical views.\(^{364}\)

\(^{362}\) The program which emerged from the group’s deliberations was referred to as the Shatalin Plan.

\(^{363}\) Abalkin left the group in early August.


These claims by Yavlinsky do in fact seem to be correct. Despite the conflict between Ryzhkov and Abalkin, they did agree upon one very controversial issue, that being, the formation of a single Union market with a strong centre. Indeed, Abalkin remarked in early 1989: "Perestroika of the political system has entered a decisive phase ... If ideas of full independence and autarky triumphed in the newly elected soviets, it would lead to a virtual breakup of the federal system as a unified state." Following from this statement,
The second reason was that the working-group chose as its starting point the reality of a divided Union, while Ryzhkov chose the image of a single, unified Union. Shatalin clearly stated: "The group took into consideration first of all the fact that all republics have now adopted declarations of independence and sovereignty; this means that it is a hopeless task to leapfrog them and try to resolve everything at the centre ... this path would be disastrous." Ryzhkov, on the other hand, still insisted that "the basis of our conception and of the program we are working out is a unified Soviet Union." There are two points which must be emphasized here. First, given these fundamentally divergent perceptions of the Soviet state, it was inevitable not only then, it would seem that Abalkin did not share the group's radical ideas concerning the reconstitution of the Union. Quoted in, Peter Rutland, "Abalkin's Strategy for Soviet Economic Reform," RLR, 25 May 1990: 4 (my emphasis).


In Ryzhkov's second economic program introduced in May of 1990, he emphasized that the Soviet "future [lay] in the formation of a single common market." However, even at this early stage, such a prospect seemed unlikely. For four republics had already declared sovereignty -- Lithuania, Estonia, Georgia, and Azerbaidzhani; and of those four, two -- Lithuania and Estonia -- along with Latvia, had declared independence. See N.I. Ryzhkov, "On the Economic Situation in the Country and the Conception of a Changeover to a Regulated Market Economy," Pravda, 25 May 1990: 1-4, translated in CDSP XLII, no.21 (1990): 13 (my emphasis).
that the Ryzhkov and Shatalin plans would conflict but, also, that they would prove to be fundamentally irreconcilable.

Second, in the face of a disintegrating Soviet state, for Ryzhkov to speak of a unified Soviet Union or a single Union market was, at best, unrealistic and, at worst, irrational. Indeed, as Mikhail Berger asserted, "for all practical purposes, ... a single Union market no longer [existed]."

In other words, the issue was no longer whether republics should be granted economic sovereignty. The fact of the matter was that individual republics were not asking permission for sovereignty but, rather, they were taking it upon their own initiative, declaring their sovereign rights unilaterally. Only Shatalin, and not Ryzhkov, took this reality into consideration.

Following from this, it should be clear that the most stark difference between the two plans was the way in which

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It is worth noting one incident, in particular, here as an illustration of this point. During the process of revising his May 1990 economic program, Ryzhkov received a memorandum from a representative of Latvia. The memorandum stated that before an agreement on mutual economic relations could be concluded, it would be necessary to resolve a number of questions regarding ownership: which enterprises were to be republican property, which were to operate as joint enterprises, and which were to be assigned the status of foreign enterprises. In essence, this latter point implied that Union property on Latvian territory would be considered foreign. Clearly, then, for Ryzhkov to speak of a single Union market, much less a single Soviet state, seemed untimely and unrealistic. See Ibid.
they defined the concept of an economic union. On the one hand, the Shatalin Plan envisaged a reconstituted state, a confederation. Here, sovereign republics by mutual agreement would grant the centre whatever powers they deemed appropriate. On the other hand, the political and economic ramifications of authority delegated from the bottom up was precisely what Ryzhkov sought to avoid. His plan underscored the necessity of a strong centre vis-a-vis the republics but granted increased powers to them. These fundamentally different definitions of an economic union extended to other issues as well, one of which is important to mention here. The Shatalin Plan advocated that the central budget should be formed via "the transfer of financial means by the republics for the accomplishment of tasks delegated to the Union." Ryzhkov, on the contrary, maintained that the central budget should be based on central taxation.

As far as timing and sequencing were concerned, there were two significant differences. First, the Shatalin Plan recommended a deferral of consumer price increases. Instead, it began with measures to secure popular support, measures

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such as a quick sale of state assets. Conversely, the Ryzhkov Plan still advanced an increase in prices as its first step (although less severe than those which he advocated in May of 1990), along with full compensation to the Soviet population. Second, as alluded to above, the Shatalin Plan promoted the rapid dismantling of the government apparatus and, as well, the 'destatization' of assets. To the contrary, the Ryzhkov Plan advised caution on both counts and, therefore, advocated a relatively slower course.

At this point, what must be examined are the reactions of both Gorbachev and Yeltsin to the Shatalin Plan. Their reactions are important because they were not based on economic principles but, rather, on political ones. In other words,

369 Most notably, the Shatalin Plan recognized the negative experiences of economic reform in the past, recognized that "life, unfortunately, [had] taught [the Soviet people] to believe more readily in bad news than in good." Accordingly, the plan maintained that "its main difference [was] that it [was] based on a fundamentally new economic doctrine, on progress toward the market primarily at the state's expense rather than at the expense of the ordinary individual." See "Synopsis of Shatalin Group Economic Program," Izvestiya, 5 September 1990: 3, translated in FBIS, 5 September 1990: 69-74.

370 The Shatalin Plan viewed 'destatization' as a "guarantee of social stability and one of the main conditions for preventing social and ethnic upheavals." To elaborate, it maintained that "people with their houses and land, that they can always sell or leave to their children, and people with shares or other financial assets, will have an objective interest in societal stability and social and ethnic harmony." See Ibid.

words, Gorbachev's rejection of the Shatalin Plan and Yeltsin's approval of it were premised on how each perceived that the plan would affect their political power, both in absolute terms and vis-a-vis each other. In effect, the question of whether the Shatalin Plan would succeed in reforming the Soviet economy became secondary. To elaborate, first and foremost for Yeltsin, the adoption of the plan implied that the central economic decision-making apparatus would be permanently disabled and, more importantly, that the power of the party and the central government itself would be paralysed as a result. Clearly, then, Yeltsin perceived that the Shatalin Plan would further his political interests, in essence, by securing his political advantage over Gorbachev. As for Gorbachev, he had no intention of promoting a decline in central authority, much less, a situation in which the republics would have carte-blanche to hold the centre hostage. Indeed, this is precisely how he interpreted the Shatalin Plan. His unwillingness to endorse it, however, emerged not only from this anticipated weakening of the union

372 Important to note here as well is that Gorbachev was most likely pressured by the more conservative members of Soviet society -- specifically, the KGB and the military -- to reject the plan. This because the plan not only threatened the supremacy of the centre but, also, and perhaps most importantly, proposed budget cuts for the KGB and the Ministry of Defense.

Oleg Bogomolov confirmed this pressure from conservatives, in particular from Yazov the Defense Minister. See Oleg Bogomolov, "Republics' Future Economic Ties Viewed," Rossiyskaya Gazeta, 3 September 1991: 2, translated in FBIS, 4 September 1991: 56.
or, more precisely, the centre but, also, from the anticipated repercussions of such a weakening. Stated simply, Gorbachev, like Yeltsin, reacted in a manner which he perceived would secure his political power.  

Gorbachev's rejection of the Shatalin Plan marked a turning point both in political and economic terms. For the plan offered Gorbachev a distinct opportunity to restore the legitimacy of the centre, albeit a weaker one, of his own authority as leader in the reform process, and of perestroika itself as a viable project. There were three reasons for this. First, the Shatalin Plan signified an understanding of the need for radical economic change and, more importantly, a dramatic break from the past. To be more precise, it recognized and embraced the necessity of systemic change. Second, the plan reconstituted the union -- a union delegitimized as a result of declarations of sovereignty and independence -- by forging a new relationship among the republics and between the republics and the centre. Third, during the first 100 days, the plan made a deliberate attempt to win the confidence and support of the Soviet people, this

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373 What is also important to emphasize here is that Gorbachev must have objected to, and as well must have feared the repercussions of, the plan's emphasis on 'destatization' and, indeed, on privatization. As should be clear from chapter three, he displayed a distinct aversion to the private sector and, more specifically, to private ownership of land. Thus, for Gorbachev, the plan's emphasis on 'destatization' and privatization must have represented a challenge to his own vision of economic transformation, in particular, and to Soviet socialism, in general.
before the more severe effects of transition became manifest. The Shatalin Plan, then, had the potential to create a new environment of consensus; one, according to Hewett, which would allow Gorbachev to "[issue] decrees on behalf of a new government that drew its legitimacy from its clear commitment to a new beginning, and from direct support of the union's constituent republics." 374

The option which Gorbachev ultimately chose fostered neither consensus nor confidence. What he chose was a 'compromise' plan -- referred to as the Presidential Plan (see appendix E) -- which embraced the principles of the Shatalin program, yet in only the most general of terms. Oleg Bogomolov, an informal economic advisor to Gorbachev, evaluated the plan: "What was submitted for consideration by the USSR Supreme Soviet does not even constitute a program; rather [it is] a set of unfounded postulates, intentions, and statements which are often contradictory." 375 Outside of this criticism, most problematic was the fact that the plan relied on the existing Soviet government to implement Gorbachev's


presidential decrees.\textsuperscript{376} This was problematic for two reasons. The first reason was that the process failed to inspire the public confidence necessary for successful economic reform. The existing government apparatus simply possessed no legitimate base of authority. To be more precise, the general population believed not only that the existing government had engendered economic crisis\textsuperscript{377} but, also, that it was helpless in the face of a deteriorating economy.\textsuperscript{378} The second reason was that the presidential degrees themselves had no legitimate foundation. For, from the perspective of the republics, they originated from an illegitimate 'centre'. The Chairman of the Latvian Supreme Council, Anatoliy Gorbunovs, for example, rejected the authority of such degrees, proclaiming that "I am not subordinate to the President, since it was not the President who appointed me. I was elected to the republic's Supreme Council, and evidently it will ... determine my

\textsuperscript{376} In October of 1990, Gorbachev acquired special powers for the issuance of decrees necessary to stabilize the economy and to move toward a market.

\textsuperscript{377} According to a survey conducted in October and November of 1990, 65\% of respondents evaluated the activity of the government in a negative or mostly negative way, while only 15\% evaluated it in a positive or mostly positive way. See Joan DeBardeleben, \textit{Soviet Politics in Transition} (Lexington: D.C. Heath and Company, 1992): 148.

\textsuperscript{378} It is worth noting here that the general population also doubted the capabilities of the party. According to the same survey, 64\% of respondents believed that the CPSU was not capable, or not likely capable, of leading the country out of crisis, while only 24\% of respondents believed that it was capable, or likely capable. See, Ibid.
Following from these two points, then, there is one thing which should be clear. That is that Gorbachev's decision to endorse the 'Presidential Plan' motivated the support and confidence of neither the general population nor the republics.

In retrospect, Gorbachev paid a high price for his rejection of the Shatalin Plan or, more precisely, his attempt to secure power for a strong central state, the party, and himself. For the price that he paid was a sharp decline in his legitimacy as leader both of the state and the reform process. To see this more clearly, it is necessary to consider four 'declarations' which were issued shortly after Gorbachev's rejection of the Shatalin Plan, one each by Ryzhkov, Yeltsin, Shevardnadze, and Shatalin. These 'declarations' were significant for three reasons. First, taken together, they were indicative of Gorbachev's lack of legitimacy as leader of economic reform, the 'union', the political centre, and the party. Second, they were indicative of the increasingly conflictual political climate which surrounded the economic reform process. Third, they revealed an intensifying state of crisis in the Soviet economic, ethnic, political, and ideological spheres, crises so severe that they now threatened the survival of the Soviet state itself.

It was at the 4th Congress of People’s Deputies that Ryzhkov issued the first ‘declaration’. He stated: "We have not been successful in carrying out restructuring in the form in which it was conceived." According to Ryzhkov, perestroika had been reduced to mere political conflict, void of objective economic principles and goals. He professed that "under the flag of the market, a political war [had] gotten under way ... [which lacked] any serious economic content." This ‘declaration’ was indicative of Gorbachev’s lack of legitimacy as leader of economic reform. Initially, legitimacy was accorded to him by virtue of his being the initiator of perestroika. However, in order to maintain this legitimacy, it was necessary for Gorbachev not only to mobilize popular support for economic reform but, also, and perhaps most importantly, to build a consensus among the political elite concerning the scope and direction of economic transformation and, moreover, to establish himself as a credible problem solver. As Ryzhkov’s ‘declaration’ indicated, Gorbachev was not able to build consensus nor was he able to establish himself as a problem solver.

Yeltsin issued the second ‘declaration’. Reinforcing Ryzhkov’s claims, he asserted that the "revolution from above


\[381\] Ibid.
[had] ended"\textsuperscript{382} and that "today we have a Union centre of 'the people's distrust'."\textsuperscript{383} Furthermore, Yeltsin professed that "the Kremlin [was] no longer the initiator of the country's renewal or an active champion of the new. The processes of renewal, blocked at the level of the centre, [had] moved to the republics."\textsuperscript{384} Yeltsin revealed the illegitimacy of the centre by emphasizing two things: first, that it lacked the population's confidence and support; and second, that it acted as a bulwark against change, against renewal. What is important to recall here is that Gorbachev had dramatically increased his powers via the use of presidential decrees. In effect, it was he who represented the centre. To be more precise, it was Gorbachev himself who lacked popularity, who blocked the renewal of the union, and who now was unable to control or direct the process of change. In other words, the illegitimacy of the centre reflected the illegitimacy of Gorbachev's own position as leader of the 'union'.

Shevardnadze issued the third 'declaration', warning that a severe deterioration in the political order loomed in the future. He proclaimed that "a dictatorship is approaching ... no one knows what this dictatorship will be like, what


\textsuperscript{383} Ibid.

\textsuperscript{384} Ibid.
kind of dictator will come to power and what order will be established. 385 This allusion to dictatorship is important because it revealed that Gorbachev lacked the ability to control the political dynamics of the Soviet state. To be more precise, it revealed that he lacked the authority to secure the renewal of both the state and society as well as the relationship between them. In short, then, this 'declaration' was indicative of Gorbachev's lack of legitimacy as leader of the political centre. Indeed, had he chosen to run for popular election, and moreover had he been able to secure a broad base of popular support, Gorbachev would have been able to affect greater control over the Soviet political environment and over the direction of change. For the conservative and reactionary forces would have feared the political repercussions of leading a backlash against the reform process, in general, and against Gorbachev, in particular.

Shatalin issued the fourth, and final, 'declaration'. It comprised a critique of the last vestiges of the party and, therefore, a critique of Gorbachev himself who still believed in the party's vanguard role. Shatalin demanded that Gorbachev "immediately give up the post of General Secretary ..., [at which point] the party will fall apart, to benefit the people;

it will stop claiming its monopoly-vanguard role." According to Shatalin, this move was necessary because "the underlying cause of all ... problems ... [was] the totalitarian communist ideology that [had] filled all the pores of ... [the] crippled and benumbed [Soviet] society." Here, Shatalin delegitimized the party and its leading role by claiming that its ideology did not fulfil the promise of a prosperous future but, rather, that it denied the existence of a dynamic and free society. His conclusion was implicit but clear: Soviet society and its people would have been better off had the party never existed. Given this conclusion in the face of Gorbachev’s continued support for, and promotion of, the party and its vanguard role, Shatalin’s effort to discredit the old order, in effect, also delegitimized Gorbachev’s position as party leader.

Following from the discussion above, it should be clear that the collapse of Gorbachev’s legitimacy, in particular his legitimacy as leader of the reform process, exacerbated an already conflictual decision-making environment. Insofar as this was true, the prospects for successful economic transformation at the beginning of 1991 were, at best, bleak and, at worst, futile. For, as Hans-

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387 Ibid., 1.
Hermann Hohmann indicates, successful economic transformation in the Soviet Union required three conditions\textsuperscript{388}: first, a broad social consensus which would lend legitimacy to the new economic model, a consensus willing to accept, or at least tolerate, the pain involved in transformation; second, a stable political order and a legitimate authority capable of leading the process of transition; and third, a reconstitution of the relationship between the 'centre' and the republics. However, none of these social and political conditions existed\textsuperscript{389}; and the one thing which would be capable of generating and maintaining these conditions, a consensual political decision-making environment among elites, was unattainable. There was one reason why this environment was unattainable. Stated simply, it was because the existing conflictual political environment engendered individuals,


\textsuperscript{389}It should be noted here that although a substantial percentage of people supported the transition to a market economy (48 percent stated yes or more likely yes, while 34% stated no or more likely no), it appeared that there was a poor understanding of what the market really entailed. At a May Day rally, for example, Muscovites at a rally carried signs which read: "Market -- 'yes', Unemployment -- 'no'". For statistics, see Joan DeBardeleben, Soviet Politics in Transition (Lexington: D.C. Heath and Company, 1992): 148. For the above example, see Pavel Bunich, "Popular Concerns About Shift to Market Economy Addressed," Moskovskaya Pravda, 11 May 1990: 2, translated in JPRS (90-019).
groups, and nations to protect their instrumental political interests, in effect, ensuring the irreconcilability of their respective economic reform proposals. To see this more clearly, what must be examined are five distinct schools of thought which emerged around Gorbachev, schools which emerged in response to the intensifying state of economic, political, and ideological crisis. They are referred to here as Conservative, State-Centrist, Republican, Regionalist, and Nationalist (Russian).390

These five schools are important because, as already emphasized, they were each premised upon distinct political interests, interests which permeated the nature and direction of the economic reform that they advanced. With this in mind, there are two things which must be mentioned before considering these schools in detail below. First, both the Conservative and State-Centrist schools promoted centralized economic decision-making, while, to the contrary, the Republican, Regionalist, and Nationalist (Russian) schools rejected such decision-making. Second, the political interests of the Conservative school were rooted in the Communist Party; the State-Centrist school in the Soviet state; the Republican school in the republics; the Regionalist school in the sub-republican levels; and the Nationalist school (Russian) in

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Russia itself.

The school which represented the principal rival to Gorbachev was the Conservative one. The proponents of this school were old communists in the state apparatus and the military-industrial complex. They feared the economic and political chaos which confronted Soviet society as a result of the reform process. Most notably, they endeavoured to secure their power against the threat posed both by the establishment of private entrepreneurial interests and, also, by the rapidly expanding powers of the republics. Accordingly, this Conservative school advocated the following: first, that the ultimate goal was still the building of a communist society and, as a result, that the party’s vanguard role must be preserved; second, that the federation and a strong Soviet centre must be maintained at all costs; and third, that the economy would best be served by a technocratically modernized command management system. In broader terms, the proponents of this school advocated that economic and political crisis required a renewed focus upon discipline, coercion, 'belt-tightening', and heavy industrial investment. By early 1991, representatives of the Conservative school were in the highest

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391 Some Soviet scholars have suggested that Gorbachev encouraged the Conservative school to openly express their opposition in June of 1991 (the eve of the July G-7 meetings in London); this in order to demonstrate to the leaders of both the West and the Soviet republics that he was under extreme pressure from the Right. See Vladimir Kuznechevskiy, Rossiyskaya Gazeta, 26 June 1991, translated in FBIS, 26 June 1991: 31-33.
echelons of power, for example, Vice President Gennadiy Yanayev, KGB Chief Vladimir Kryuchkov, and Interior Minister Victor Pugo. That they were representatives of this school could be seen by their anti-market\(^{392}\), pro-union (pro-centre)\(^{393}\), and even xenophobic\(^{394}\) tendencies. In June 1991, the Conservative school supported an unsuccessful bid by

\(^{392}\) For example, Yanayev stated in response to the Shatalin Plan: "We have no right to pursue an unpredictable, convulsive policy in a country with 300 million people."

Most notably, before his appointment as Vice-President, Yanayev briefly held the post of chairman of the Soviet Union's official trade unions. There, he rallied workers to oppose mass unemployment and price increases or, in other words, the potential repercussions of market-oriented economic reform. See Gennadiy Yanayev, "Yanayev on Current Trade Union Issues," Trud, 30 June 1990: 1-2, translated in Transdex-JPRS UEA, 25 July 1990: 64-66.

\(^{393}\) In an unscheduled, nation-wide television broadcast, Kryuchkov, for example, pledged that KGB troops would resolutely endeavour to prevent the Soviet Union's collapse by continuing "to act as a barrier against those forces which seek to push the country toward chaos." Keesings (December 1990): 37903.

\(^{394}\) For example, Kryuchkov claimed that foreign intelligence services (e.g. CIA) had declared a covert war against the Soviet Union with the expressed purpose of destroying its unity. Furthermore, he maintained that "attempts [were] being made to apply both open and disguised pressure ... from the outside, to foist on ... [the Soviet Union] questionable ideas and plans for extricating the country from a complex situation. Behind all this", he claimed, "[could be seen], ... a wish to strengthen ... their own positions in [the Soviet Union]." Finally, he accused foreign partners, presumably the U.S., of economic sabotage: "They deliver impure and sometimes infected grain, as well as products with an above-average level of radioactivity or containing harmful chemical admixtures." See V. Kryuchkov, "Speech to the Congress of People's Deputies, December 22, 1990," translated in Soviet System in Crisis, eds. A. Dallin and G.W. Lapidus (Boulder: Westview Press, 1991): 700-703.
Valentin Pavlov, the Soviet Prime Minister, to transfer some of Gorbachev's power to the Council of Ministers. Insofar as this was true, Pavlov must also be considered a representative of the Conservative school, however, a marginal one. He was a marginal member because, although his approach to economic reform was similar, he seemed slightly more receptive to the utilization of market mechanisms. Pavlov advocated the following: first, that "radical economic reform [could] make [no] progress without a strong state authority"; second, that it was necessary to resort to traditional strategies of growth and to emphasize traditional investment sectors.

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Most notably, Pavlov defined the role of the state in a traditional manner, a manner consistent with the old economic order. He stated that its role was to "[create] strategic specific-purpose programs and [to carry] out structural changes and the modernization of industry, without which our economy will not overcome its inferiority." See V.S. Pavlov, "Let's Be Realists," Trud, 12 February 1991: 1-2, translated in CDSP XLII, no.6 (1991): 3.

396 Pavlov was explicit here: "Today it is senseless and impossible for us to take consumption standards in the West as a model. The situation in the economy is worsening drastically ... Before orienting ourselves toward Western consumption standards, we must 'tighten our belts'... and channel resources into modernizing production facilities that provide the very foundations of life." See Ibid. (my emphasis).

397 Pavlov professed: "I am convinced that our path to increasing the people's well-being is not through agriculture... but that it is a more reliable path, one that is based on high technology and uses all our industrial and intellectual might." V.S. Pavlov, "Prime Minister's Confession," Izvestia, 15 June 1991): 2, translated in CDSP XLIII, no.24 (1991): 13.
in order to overcome the economic crisis; and third, that, although economic reform demanded the establishment of market mechanisms, administrative methods would be required to counterbalance them.\textsuperscript{398}

Although its representatives were members of the Communist Party, the State-Centrist school advanced a noncommunist approach to economic transformation. To be more precise, this school recommended that economic reform -- reform which embraced a 'third way', incorporating both the market and the plan -- take place under the guise of a strong, unified, and centralized Soviet state. Most notably, the more radical proponents of this school maintained that economic reform be introduced along with authoritarian political and social controls.\textsuperscript{399} Members of the State-Centrist school represented a sizable force in the Congress of People's

\textsuperscript{398} Pavlov explicitly emphasized that it was necessary to "combine economic and market tools with administrative methods." More specifically, he maintained that, "in addition to the market, the country [needed] a program for the accelerated modernization of industry." V.S. Pavlov, "Let's Be Realists," \textit{Trud}, 12 February 1991: 1-2, translated in CDSP XLII, no. 6 (1991): 3.

\textsuperscript{399} For example, Viktor Alksnis supported the "[introduction] of the market by force." For he believed that Gorbachev's concept of reaching the market economy via democratization ... [had] led ... [the Soviet Union] into anarchy and chaos." In more specific terms, Alksnis advanced the following: first, a five to ten year country-wide state of emergency in which all democratic political activity be suppressed; second, a ban on all political parties, including the Communist one; and third, the reintroduction of censorship. See Elizabeth Teague, "The 'Soyuz' Group," \textit{Report on the USSR}, 17 May 1991: 21.
Deputies, by and large, clustered around the parliamentary faction Soyuz (Union). Within the school, members supported the maintenance of a strong, unified, and centralized state for different reasons. On the one hand, Viktor Alksnis and Nikolai Petrushenko, members of the military industrial complex, sought to promote the Soviet Union's superpower status. On the other hand, Yuriy Blokhin, an ethnic Russian from Moldavia, sought to defend the interests of other Soviet citizens who lived outside their national territories. In large measure, many of these citizens were white-collar managers or blue-collar industrial workers who feared that the devolution of economic decision-making from the centre to the republics would mean plant closures and unemployment. Thus, he advanced the following: first, that the control of enterprises be devolved directly to the enterprises themselves in order to bypass republican interference; and second, that the privatization of state property be ceased.

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400 Soyuz formed under the direction of Colonel Victor Alksnis in response to the prospect of the Union's disintegration. In essence, this consolidation of the political right wing represented a defense of the old order, against both secessionists and reformers.


402 Blokhin also called for the repeal of consumer price increases which were instituted in April of 1991. See Ibid. 17-18, 20.
Turning to the Republican school, what must be emphasized is that it rejected both the old political and economic orders. This necessarily implied the rejection of the following: first, the traditional emphasis on heavy industry; second, a closed economy; and third, the party, its vanguard role, and communism in general. In response to the intensification of economic crisis, the

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Bogomolov clearly emphasized this point. He stated: "World experience and our experience show that agriculture, light industry, and the food industry respond best to market incentives. Therefore, the development of the market mechanism should be started from that end." Quoted in A. Nikitin, V. Parfenov, and A. Fedotov, "Strategy and Tactics of the Economic Reform," Pravda, 15 November 1989: 1-2, translated in CDSP XLI, no.47 (1989): 19.

This was, for example, clearly outlined in the Yavlinsky Plan: "For the USSR today, integration into the world is a top-priority issue, an urgent one and, in the current situation, also a step we are forced to take, chiefly because of the state that the country's economy is in." See G. Yavlinsky, "Plus the 'Group of Seven'," Izvestia, 20 May 1991: 3, translated in CDSP XLIII, no.20 (1991): 1.

Bogomolov, for example, professed that he "[could not] live any longer in expectation of a communist miracle, closing [his] eyes to [the deception and violence] of the past and present." He proclaimed that "[it was] time to stop swearing allegiance to the dogmas of the Marxist faith and to turn toward common sense, universal human experience and age-old moral precepts"; and then queried: "Aren't they the key to salvation and a way out of our impasse." See O. Bogomolov, "I Can’t Absolve Myself of Guilt," Ogonyok, no.35 (1990): 2-3, translated in CDSP XLII, no.38 (1990): 21.

Shatalin reinforced this sentiment by stating that "as far as the communist outlook is concerned, I shall be so bold as to maintain that communism has never been, is not now, and never will be in the future." For him, socialism meant "a real political democracy based on a multi-party system." S. Shatalin, "Shatalin Doubts Authorities’ Ability to Resolve Social, Economic Crisis," Komsomolskaya Pravda, 16 January 1991: 2, translated in JPRS (91-006).
Republican school condemned state planning as fundamentally flawed and advanced a rapid transition to a market economy. Importantly, this transition featured the immediate sell off of government assets, the termination of state subsidies for enterprises, and the rapid introduction of free-market prices. In response to the intensification of political crisis, the Republican school promoted the dismantling of the centre's decision-making apparatus and the redistribution of power to the republics and private industry. Proponents of this school were radical economists Stanislav Shatalin and Grigoriy Yavlinskiy as well as Yeltsin, Gavril Popov, and Anatoliy Sobchak (mayors of Moscow and Leningrad respectively).

Finally, both the Regionalist and Nationalist (Russian) schools, like the Republican one, rejected the old political and economic order. However, they represented only marginal political actors. The Regionalist School was largely an informal one which advocated liberal market reforms, most notably, within a subrepublican framework or, more precisely, under regionally controlled economic decision-making.

406 It is interesting to note here that, in their efforts to derive a comprehensive plan for market-transition, the Republican school consulted with American advisors. The Yavlinsky Plan, for example, was co-authored by Graham Allison and Jeffrey Sachs. This plan envisaged a political and economic 'grand bargain' between the Soviet Union and the West designed to secure large scale technology and financial assistance. For further information, see G. Yavlinsky, "Plus the 'Group of Seven'," Izvestia, 20 May 1991: 3, translated in CDSP XLIII, no.20 (1991): 1-3.
Proponents of this school included radical economist and Sakhalin oblast chairman Valentin Fedorov. He dismissed Soviet socialism, the notion of planning, and, as well, a regulated market economy.\textsuperscript{407} For he maintained that "so far, not a single socialist country has shown any significant economic results -- all achievements belong to the market."\textsuperscript{408} Fedorov demanded economic autonomy not only from the all-Union level but, also, from the republican level in order that Sakhalin "[become] a territory of free enterprise."\textsuperscript{409} Furthermore, he promoted both private property and the establishment of direct links with foreign investors.\textsuperscript{410} The Nationalist school, although it rejected the old order\textsuperscript{411}, did not embrace market oriented reforms. Indeed, this school maintained that Gorbachev and other reformers were seeking to make Russia

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\textsuperscript{409} Ibid., 24.

\textsuperscript{410} Ibid., 23, 24.

\textsuperscript{411} For example, according to Valentin Rasputin, the "revolution brought people to the fore who destroyed Russia." Indeed, he believed that Russia would have been better off had the revolution not intervened in its development. For further discussion, see Bill Keller, "Russian Nationalists: Yearning for an Iron Hand," New York Times Magazine, 28 January 1990: 46, 48.
imitate the 'bourgeois West'. For example, Sergei Vasilyev, a
deputy from Tyumen and a member of the Nationalist school,
"the light at the end of their tunnel [was] capitalism."\(^{412}\)
Following from this, the school condemned the chaos of Western
style democracy and the materialism of Western markets\(^{413}\). As
well, in some cases, it condemned industrialization and high
technology.\(^{414}\) Most notably, along with Vasilyev, Valentin
Rasputin, a member of Gorbachev's Presidential Council, was a
proponent of this school.\(^{415}\)

It should be clear from the discussion above that the
ideas which emerged from these schools diametrically opposed
each other, this, because of their profoundly different
political interests. Indeed, the subsequent conflictual
political environment undermined the consensus among elites
which was necessary for the promotion, and also the successful
implementation of, economic reforms.

\(^{412}\) Ibid.

\(^{413}\) As well, the Nationalist school maintained that
free, markets, wealthy entrepreneurs, and free trade zones
would make Russia a colony of multinational corporations.

\(^{414}\) For example, Mikhail Antonov asserted: "Let other
countries surpass us in the technology of computer
production." Quoted in Ibid., 19.

\(^{415}\) In 1989, at the Congress of People's Deputies, he
complained that other Nationalities were Russophobic and
suggested that Russia consider seceding from the Union. See
Stephen White, *Gorbachev and After* (Cambridge: Cambridge
SOME CLOSING REMARKS

This chapter has shown that, following the 19th Party Conference which initiated a shift in the focus of reform from within system to systemic change, political conflict obstructed any possibility of successful economic transformation in the Soviet Union. The reason for this was that such conflict prevented the political elites from achieving a consensus, a consensus regarding the nature and direction of economic reform. Stated simply, by 1991, these political rifts were so great that there was no possibility of reconciling them.

Even when the Yavlinsky-Pavlov Program and the new Union Treaty emerged in the summer of 1991, it was clear that there would be no consensus among the political elites and, thus, no hope for successful economic transformation. On the one hand, the Yavlinsky-Pavlov Program -- a compromise program which combined the radical Yavlinsky Plan (see appendix F) with the more conservative Anti-Crisis Pavlov Plan (see appendix G) -- marked a resurgence of the market oriented concepts introduced by the Shatalin working group a year earlier. However, Yavlinsky (as a member of the Republican School) was disappointed with the 'compromise' because he claimed that it weakened his plan too much to make it viable; in other words, because he believed that too many concessions had been made to Pavlov (a marginal member of the Conservative school). On the other hand, the new Union Treaty, by
relinquishing the centre's control over tax collection and by dramatically reducing the revenues paid to the centre, implied that the central apparatus would be, at best, severely weakened and, at worst, completely dismantled. This result was politically unacceptable to both the Conservative and the State-Centrist schools.

As a final observation, it must be emphasized that, in the face of these deep rifts among the political elite, the August coup attempt -- the point which marked the end of economic perestroika as conceived by Gorbachev, the end of an empire, and the end of Gorbachev's rule as leader -- cannot be understood as an isolated event. Rather, it must be considered the last crisis, the culmination of an intensifying economic, political, ethnic, and ideological state of crisis, the product of a conflictual political environment which was itself a product of the Soviet state of crisis.
CHAPTER SIX: CONCLUSION

In simple terms, the success of economic transformation, and ultimately the survival of the Soviet regime itself, hinged upon the legitimacy of Gorbachev's leadership; in other words, upon his ability to motivate popular support for economic perestroika and to create a consensus among the political elite concerning the nature and direction of change. In large measure, it was the creation of a consensual political decision-making environment which was most important. For Gorbachev's vision of economic transformation was premised upon change initiated and directed from above not from below. Thus when the leaders of the coup announced that "the policy of reforms, launched at Mikhail Gorbachev's initiative ... [had] entered ... a blind alley" and that they "intended to restore law and order straight away," it was clear that economic perestroika as conceived by Gorbachev had officially come to an end.

This is a significant point which must be explained further. Why and how did the aborted coup d'etat in August of 1991 mark an end to economic perestroika a la Gorbachev? In addressing these questions, two observations must be made.

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First, as a direct result of the Communist Party’s suspension, the ‘Soviet Union’ no longer existed. For the unity of the Soviet state and society was identified with, and indeed inextricably tied to, the existence of the communist party and its paramount task, namely, the ‘building of socialism’. By the end of October 1991, each Soviet republic, except for Russia and Kazakhstan, had declared independence.

Second, in this post-Soviet order, there was no legitimate place for Gorbachev as a leader. He was a reformer not a revolutionary. This point is important because the post-Soviet period was a revolutionary one, revolutionary because the institutional pillars of the Soviet state -- the party, the KGB, the military industrial complex, the all-Union Ministries -- were not transformed but abolished. That Gorbachev would be unable to play a legitimate role in this new, profoundly anti-communist, order was clear upon his immediate return to Moscow. There were two things, in particular, which suggested this to be true. First, Gorbachev did not deem it necessary to speak directly with those who had risked their lives outside the Russian parliament. In other words, he did not duly acknowledge this ‘revolution from below’ and its dramatic impact upon the Soviet state. Second, Gorbachev resorted to hollow rhetoric when he pronounced not only that he was still a convinced adherent to the socialist ideal but, also, and perhaps most significantly, that he would
continue to fight for the renewal of the Communist Party. 417

From these two things, it was clear that Gorbachev remained a prisoner of the system which had sought to change. For his belief in the viability of a renewed 'communist party' persisted and, moreover, he continued to accord implicit primacy to the notion of a 'revolution from above' as opposed to one 'from below'.

Following from these two observations -- first, that the 'Soviet Union' no longer existed and, second, that Gorbachev had no legitimate place as leader in the post-Soviet order -- it can only be concluded that the attempted coup d'état marked the end of economic perestroika as conceived by Gorbachev. Indeed, his understanding of economic perestroika was premised upon the reformability of the communist system, not its dissolution -- or, more precisely, upon the revitalization of Soviet socialism and the leading role of the party, not their demise; upon the prosperity of the Soviet Union as a whole, not its disintegration; and, finally, upon his own role as a reformer, not as a revolutionary.

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Even when Gorbachev resigned as General Secretary, he revealed the hope that 'democratically inclined communists' would form a new party. This idea ultimately differed little, if at all, from his own pre-coup vision of a reformed Communist Party. For Gorbachev's comments, see M.S. Gorbachev, "Gorbachev Resigns as CPSU General Secretary," Moscow Central Television, 24 August 1991), translated in FBIS, 26 August 1991: 14-15.
There is one further observation which must be made with reference to the post-Soviet order. It concerns a comment which Gorbachev made when he officially resigned as leader of the 'Soviet Union' in December of 1991. He stated: "We are heirs to a great civilization. It depends on all of us and each of us now -- that it should be reborn, for a modern and worthy life." The civilization to which Gorbachev referred here was the Soviet one. From this, it was clear that he was unable to understand one critical thing which was characteristic of the post-Soviet order. Stated simply, Gorbachev failed to understand that the Soviet Union existed only amid the rubble of its abortive development or, more precisely, its abortive attempt to become modern. In other words, he failed to understand that 'modernity and a worthy life' were incompatible with Soviet civilization; this because Soviet civilization, like Gorbachev's own vision of economic transformation, assumed that there was no incompatibility between modernization and central party control. Indeed, what Gorbachev seemed unable to comprehend was that 'modernity and a worthy life' became possible only as a result of the death of Soviet civilization, only after abandoning the Soviet political, economic, and social order.

At this point, it is necessary to address why economic

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perestroika failed. To do so, there are four things, paralleling the four substantive chapters of this thesis, which must be considered here: first, the objective conditions which motivated Gorbachev to begin economic perestroika; second, the nature and scope of the economic change which Gorbachev envisioned; third, the manner in which Gorbachev attempted to motivate the public's faith in the process of reform and in the Soviet future more generally; and fourth, the nature of the economic debate which emerged in official circles.

Beginning with the first thing -- beginning, in other words, with chapter two -- it must be emphasized that, in 1985, the Soviet Union was mired in a state of systemic crisis. This crisis implied three things. First, it implied that the Soviet system did not work effectively in the achievement of leadership goals. On the one hand, the Stalinist model of economic growth stifled initiative and creativity, discouraged development, and, as a result of its expansion, became more difficult to manage. On the other hand, the model's extensive growth strategy had reached its absolute physical and economic limits. These shortcomings in the Soviet system generated a slow decline in economic growth, an increase in the science and technological gap between the Soviet Union and the West, and a neglect of crucial infrastructures such as transportation, housing, education and health care. Second, the crisis implied that the Soviet system
exhibited declining stability as well as a declining ability to adapt to changing circumstances. The chief reason for the former was the decreasing rate of economic growth. To be more precise, this decrease meant that it became increasingly difficult for the Brezhnev leadership to maintain the 'tacit social contract'. The result here was a deterioration in labour and social discipline, an intensification of pessimism about the future, and an increase in open forms of protest. The chief reasons for the latter were rooted in the nature of Brezhnev's 'social contract' policies. Specifically, they produced an increasing divergence between the demands of a developing society and the design and structure of the economy. Furthermore, they obstructed any kind of economic adjustment that might have slowed the economy's decline. Third, and finally, the crisis implied that the political system demonstrated an inability to utilize its potential. What stifled this potential was the resilience of the Stalinist model and, more particularly, its political-economic structures. Stated simply, it was the regime, and indeed the party and its unyielding dogmas, which accounted for this resilience. In other words, Soviet leaders simply refused to surrender their power over details, this in order to retain power over political and economic outcomes. Taken together, these three things discussed above were indicative of a distinct form of systemic crisis, that being, a crisis of effectiveness. Following from this, it was Gorbachev's task to
eliminate, or at least to mitigate, this crisis. In other words, it was his task to prevent the crisis from escalating into one of survival, one where the very existence of the Soviet Union as a state would be threatened.

From chapter three, it is clear that Gorbachev's approach to this state of systemic crisis was premised upon the revitalization -- or the realization of the potential -- of Soviet socialism and the Soviet state. As such, the nature and scope of his vision of economic transformation was confined to the boundaries of within system change. In more precise terms, Gorbachev's vision represented a quest for modernity in which the individual -- that is, the individual's creativity, initiative, and skill -- played an integral role. This is best understood if three elements are considered: first, de-Stalinization; second, de-Brezhnevization; and third, the formulation of a new model of socialism.

The process of de-Stalinization began with Gorbachev's intention to accelerate social and economic development on the basis of scientific and technological progress. Within this context, he hoped to motivate an increase in worker productivity and, as a result, a comparable increase in the quantity and quality of production by expanding the rights of enterprises, by introducing economic accountability, and by enacting social reform which targeted corruption, unearned income, and alcoholism. However, under the guise of acceleration, individuals had little incentive to change their
economic behaviour. For, during this period, Gorbachev accorded priority to the traditional sector of heavy industry rather than to the immediate satisfaction of consumer demands. The result here was that both he and the reform process itself lost credibility among the general population. That this occurred at such an early stage of the reform process is significant. The reason is that it was crucial for Gorbachev to establish from the outset that economic perestroika was different from the campaigns of the past or, more specifically, that economic perestroika was capable of securing a prosperous future.

His subsequent attempts to create the conditions necessary for the Soviet people to commit their energy, initiative, and creativity to the economic reform process also became problematic. These attempts were problematic by virtue of their contradictory or ambiguous characteristics. On the one hand, Gorbachev afforded enterprises the opportunity to determine their own production plans; yet, at the same time, he reaffirmed his inability to break with centralized controls, this by utilizing the state order. On the other hand, he promoted the establishment of family and individual leasing as well as cooperatives outside the traditional framework of the sovkhoz and kolkhoz; yet, simultaneously, he endeavoured to disclose the potential of this traditional framework by developing leasing and cooperatives within the sovkhoz and kolkhoz. Stated simply, contradictory and
ambiguous attempts such as these ones cast doubt on the sincerity of Gorbachev's commitment to economic reform.

Finally, Gorbachev's failure to anticipate the inevitable agitation of the nationalities question in the face of socio-political reform -- indeed, his underestimation of its potential explosiveness -- introduced an element of political instability into the economic reform process. In short, Gorbachev believed in the existence of a Soviet nation. Following from this, he also believed that the republics would appreciate the relaxation of political controls, that they would understand that their autonomy depended upon the success of his campaign for renewal and, more generally, upon the continued strength of the centre. The introduction of this element of political instability was problematic for two reasons. First, it served to further erode the lack of consensus (in the post 1988 period) among political elites concerning the direction of economic transformation. It did so by creating an additional issue of contention, that being the role and status of the centre vis-a-vis the republics. Second, the introduction of political instability implied that the implementation of reform measures became, at best, increasingly more difficult. For successful economic reform required both an abundance of resources and, as well, impeccable timing. Given the severe constraints placed upon the availability of resources as a result of the Soviet budget deficit, this latter element became all the more important.
Yet political instability had the effect of making impeccable timing -- that is, the implementing of economic reforms in optimal situations -- a virtual impossibility.

In broad terms, the process of de-Brezhnevization involved the reestablishment of the social contract, one which would promote the conditions necessary to activate the skill, creativity, and initiative of the Soviet people in the service of economic reform. Gorbachev's social contract focused upon the worker. In short, the state offered the worker higher wages, greater input in economic decision-making, an increase in funding for housing, greater access to consumer goods and foodstuffs, and new legislation to protect workers rights. In return, workers were not only to offer their support for the process of reform and their commitment to socialist renewal but, also, to demonstrate a dramatic increase in the quantity and quality of production. However, Gorbachev's conception of the social contract differed from that of the workers. On the one hand, he demanded that they commit their support to perestroika not for two years but, rather, for ten or fifteen years or longer. On the other hand, workers did not view perestroika as a long-term process to modernize and renew the Soviet economy but, instead, as a means to more consumer goods and foodstuffs. Thus, when the access to these goods did not materialize, support for the social contract dwindled. This could be seen by the increase in the number of strikes and labour slowdowns, continued poor work discipline and
absenteeism.

This social instability, like the political instability mentioned earlier, was incompatible with successful economic reform. In fact, what was most problematic was the quagmire which social instability produced. As outlined above, a lack of consumer goods and foodstuffs generated a barrage of strikes and slowdowns; yet, without an increase in labour productivity, it was simply impossible to meet the demands for more and better goods. Social instability also placed Gorbachev in a difficult political position. To be more precise, this instability -- particularly, the subsequent fears which it generated concerning the effects of market reform -- motivated him to exercise caution, and moreover to hesitate, with regard to very controversial issues such as price reform. However, even though a delay in price reform may have been a politically astute move for Gorbachev, it was not an economically astute one. For without such reform, industrial self-financing was rendered useless and, furthermore, the Soviet budget deficit was exacerbated.

Finally, Gorbachev's formulation of a new model of socialism reflected his recognition that the Soviet systemic crisis had escalated and was moving toward one of survival. The basic premise here was that it was necessary to change the nature of the socialist economic model from one which was production oriented to one which was consumer oriented. Within this context, he sought to stimulate individual initiative and
to create new incentives for improved labour productivity by building a mixed economy and by instituting a socialist market. However, there was one profound dilemma with Gorbachev's reformulation, namely, that it revealed his continued dedication to basic Soviet socialist principles. Specifically, he displayed a distinct aversion toward private property and, moreover, he insisted that the utilization of market mechanisms not preclude the utilization of directive planning. That he remained dedicated to such principles was significant for two reasons: first, it implied that the scope of his new model of socialism was a limited one; and second, it reaffirmed his position as a reformer, not a revolutionary.

At this point, it is necessary to consider chapter four; in other words, to consider the manner in which Gorbachev attempted to motivate the public's faith in the process of economic reform. To begin, there is one important observation which must be made. It concerns Gorbachev's challenge to convince the Soviet people that the future which economic perestroika promised was well worth any short-term losses and sacrifices experienced along the way. Above all, this challenge required that Gorbachev match public expectations with observable results. For only then would the promises of economic perestroika be distinguished from the empty, unfulfilled promises of past campaigns. However, at the outset of reform -- arguably the most important period because what was (or, as the case may be, what was not) accomplished
at the outset would set the tone for the remainder of the process -- he demonstrated an inability to meet the requirements of this crucial challenge. On the one hand, Gorbachev raised the expectations of the general population by promising both economic growth and, also, an improved standard of living. Yet, on the other hand, as has already been emphasized, he was unable to match these expectations with observable results because, during the acceleration campaign, priority was allotted to heavy industrial reconstruction over the immediate satisfaction of consumer demands.

Following this observation, what must be emphasized is that the manner in which Gorbachev attempted to motivate the public's faith in the process of economic reform was indelibly linked to the focus of his vision. More specifically, the latter centred upon the individual and upon the individual's skill, creativity, initiative, and responsibility, while the former revolved around creating the conditions necessary for this active involvement. In broad terms, this relationship reflected Gorbachev's understanding of the interdependence between politics and economics and, particularly, his expectation that political reform would serve an economic function. Put most simply, he expected political reform to overcome the grave lack of motivation and legitimacy within society and the state and, in effect, to overcome that which had inhibited popular participation and interest in economic performance. From this, it seems that Gorbachev believed that,
by granting the Soviet people more freedom and greater independence, they would appreciate, and indeed be grateful for, these flexible policies; that, in return, the people would not only work harder and more productively but, also, dedicate themselves wholeheartedly to perestroika. Along the same lines, Gorbachev expected that the people, like himself, believed in socialism and that, if given the opportunity to 'openly' partake in its construction, they would energetically do so. Indeed, just as he expected the people to criticize the performance of past leaderships while exempting his own, he expected the people to champion Soviet socialism rather than criticize or reject it. However, the people had been deprived of their political rights for seventy years. This, in turn, makes clear one further point. Stated simply, it was unrealistic for Gorbachev to believe that the Soviet people could temper their demands once they were allowed to express themselves.

One final note, here, concerns the importance which Gorbachev accorded to the leading role of the Communist Party. By refocusing the party's power and by making it more attentive to the demands of the Soviet people, he believed that he could create a party which would not only be stronger but, also, better able to govern than the corrupt and inefficient bureaucracy that he inherited. In short, Gorbachev sought to relegitimize both the Communist Party and its vanguard role in Soviet society. That he was unable to
recognize the incompatibility which existed between a modern, open society and the party as political vanguard reaffirmed two things: first, his role as a reformer, not a revolutionary; and second, his intention to revitalize Soviet socialism, not to weaken or destroy it.

The last component of the reform process, that which is discussed in chapter five, is the nature of the debate which emerged in official circles during the post 1988 period. This period deserves particular attention for two reasons: first, it marked the official drive toward systemic change; and second, it marked the emergence of considerable political conflict among elites concerning the nature, scope, and direction of economic transformation. Worth noting first of all was that, by mid-1989 (a time when the economy was rapidly deteriorating), two distinct decision-making centres materialized within the Soviet government. The reason for this was the fundamentally different manners in which Abalkin and Ryzhkov approached and evaluated economic reform. The political conflict between them manifested itself in a 'parade of economic plans' or, more precisely, in a number of diverse and uncoordinated economic reform proposals. This barrage of economic programs, coupled with the intensifying economic crisis, produced the following: on the one hand, indecision and confusion regarding the appropriate action to take; and on the other hand, a decline in both the authority and the legitimacy of the central leadership which effectively
reinforced centrifugal forces and thus the disintegration of the centralized union.

This latter point was particularly important because, if the process of perestroika was to be a legitimate one, it now required not only the support of the Soviet population but, also, the cooperation of the republics and, more specifically, a reconstitution of the union. The Shatalin Plan, which emerged from the collaboration between Gorbachev and Yeltsin in August of 1990, represented a distinct opportunity to achieve both of these requirements. To be more precise, the plan represented a distinct opportunity to restore the legitimacy of the centre, albeit a weaker one, of Gorbachev's authority as leader in the reform process, and of economic perestroika itself as a viable project. There were three reasons for this: first, it recognized and embraced the necessity of systemic change; second, it reconstituted the union by forging a new relationship among the republics and between the republics and the centre; and third, by making a deliberate attempt to win the confidence and support of the Soviet people before the more severe effects of transition became manifest, it represented an opportunity to create an environment of public consensus.

Perhaps more important than the Shatalin Plan itself were the reactions which it generated from Gorbachev and Yeltsin. Their reactions were significant because they were premised not upon economic principles but, rather, political
ones. In large measure, Yeltsin supported the plan because it implied that the central economic decision-making apparatus would be permanently disabled thus paralysing the power of the party and the central government. This would secure his political advantage over Gorbachev. Similarly, Gorbachev rejected the plan because it not only promoted a decline in central authority but, also, challenged the foundations of Soviet socialism. Taken together, these would have severely weakened his position as leader, both in absolute terms and vis-a-vis Yeltsin. Paradoxically, Gorbachev's rejection of the Shatalin Plan only further exacerbated the decline in his legitimacy as leader of economic reform, the 'union', the political centre, and the party.

By 1991, the one thing which would be capable of generating and maintaining the social and political conditions necessary for the success of economic perestroika was unattainable. This one thing was a consensual decision-making environment among the elites. Indeed, consensus was unattainable because the existing conflictual political environment engendered individuals, groups, and nations to protect their instrumental political interests; in effect, ensuring the irreconcilability of their respective economic reform proposals. In particular, there were five distinct schools of thought which emerged around Gorbachev in response to the increasingly severe state of economic, political, and ideological crisis, namely, Conservative, State-Centrist,
Republican, Regionalist, and Nationalist (Russian). Both the Conservative and the State-Centrist schools promoted centralized decision-making while, to the contrary, the Republican, Regionalist, and Nationalist schools rejected such decision-making. The political interests of the Conservative school were rooted in the Communist Party; the State-Centrist school in the Soviet state; the Republican school in the republics; the Regionalist school in the sub-republican levels; and the Nationalist school (Russian) in Russia itself.

To conclude, it was clear that these political rifts were too deep to bridge when the attempted coup d'etat occurred in August of 1991. Most notably, the event marked the end of economic perestroika as conceived by Gorbachev, the end of an empire, and the (unofficial) end of Gorbachev's rule as leader. However, the coup, by itself, did not cause this downfall. Rather, the downfall of economic perestroika, the empire, and Gorbachev himself was the inevitable result of an intensifying state of economic, political, social, ideological, and nationalistic crises, crises which Gorbachev could neither stem nor mitigate. In other words, this downfall was indicative of a decayed and exhausted Soviet socialist order. Indeed, this decay was clearly evident when, in the aftermath of the coup attempt, the institutional pillars of the Soviet socialist state crumbled and withered away.

Thus, the systemic crisis which Gorbachev inherited in
1985 escalated as a result of the six years of perestroika, escalated from a crisis of effectiveness to one of survival and, finally, to complete systemic collapse. Significantly, it was only as a result of systemic collapse that dramatic change became possible. For such change could unfold only after abandoning the old economic, political, and social order and thus only by rebuilding a new economic, political, and social system from the rubble that was the Soviet Union.
APPENDIX A: The Abalkin Program (October 1989)

The Abalkin Program outlined four distinct stages in the transition toward a market economy. These stages were as follows:

**Stage One:** Preparation for the implementation of a set of one-time measures to create an economic mechanism for the transitional period -- 1990: laws concerning the transformation of property relations are drafted and adopted; laws pertaining to a uniform tax system and the USSR State Bank are established in order to strengthen economic accountability; the process of turning state enterprises into leaseholding, cooperative, and joint-stock enterprises is accelerated; preparations are made for reform of price formation, renumeration, and social security; a system of income indexation is introduced; emergency measures for the restoration of financial soundness (focusing, in particular, upon reducing the budget deficit) are implemented; all unprofitable enterprises in industry are eliminated by the end of this period and transformed into leaseholding, cooperative, or joint-stock enterprises; laws concerning the economic independence of the Union republics, regional economic accountability, and local self-management are prepared and adopted.

**Expected Impact:** an increase in both the supply of goods and services and, also, public monetary income (increase of the former outstrips the latter); a significant level of excess demand still exists.

**Stage Two:** Implementation of the set of one-time measures; the inception of the economic mechanism for the transitional period -- 1991-1992: legislative acts from stage one take effect; price and wage reforms begin; the process of destatization in all branches of the economy is substantially accelerated; unprofitable collective and state farms are eliminated by the end of 1991 and individual farms and cooperative are established in their place; credit reform begins with a restructuring of the USSR State bank; output produced in excess of state orders is permitted to be sold at unrestricted prices; a financial market is organized.
**Expected Impact:** an increase in the output of consumer goods begins to have a tangible effect; because the restoration of financial soundness is not yet complete, the disproportions in production not yet overcome, and the monopoly situations not yet eliminated shortages are not entirely eradicated.

**Stage Three:** Fine-tuning the economic mechanism for the transitional period; implementation of the program for the development of reform -- 1993-1995: the financial improvement of the economy is completed; an anti-monopoly program is implemented; the increase of prices and wages are regulated via credit levers and interest policy; the consumer market is balanced by 1995 (foreign investment is expected to help saturate the market).

**Expected Impact:** stabilization of the economy.

**Stage Four:** Firm establishment and development of the new system; completion of the formation of production structures and socio-economic relations consistent with this system -- 1996-2000 and beyond: strong and effective incentives are created in order to affect an economic upswing and an increase in the people's prosperity.

**Expected Impact:** a prosperous economy with a high rate of economic growth.
APPENDIX B: The Ryzhkov Program (December 1989)

The Ryzhkov Program, introduced in December of 1989, put forth a two stage economic recovery program. These two stages were as follows:

Stage One: Emergency measures to overcome the budget deficit and unbalanced state of the consumer market -- 1990-1992: the legal and normative foundations for the new economic system are created; legislation concerning ownership, land rights, republican and local self-management, and a uniform tax system is enacted; resources allocated to consumption and the construction of non-production facilities are increased by 6.5 percent; capital investments for the construction of production facilities are reduced; capital investments in the agro-industrial complex are increased by 10 percent; beginning in 1990, interest-free specific-purpose loans are issued for the purchase of durable goods which are in short supply, such as cars and refrigerators; in 1990, complete preparation is made for price reform; in 1991 and 1992, price reform (including farm purchase price reform) is implemented by withdrawing state subsidies and setting market-related prices; in 1992, retail price reform is implemented; law-enforcement agencies, along with other state agencies, carry out a set of measures, first, to monitor and supervise and, then, to eliminate the causes and conditions which facilitate the functioning of the shadow economy; in 1990, a system of sanctions for unwarranted refusals by enterprises to accept state orders (sanctions to be paid from consumption funds (economic-accountability income)) is introduced; foreign debt is stabilized; restructuring of export and import operations and of the system for the organization and management of foreign economic activity begins; rather than workers electing state enterprise managers, government bodies once again appoint them; in 1991, the changeover to republican and local self-management and self-financing begins; in 1991, convertible currency and world prices for trade with CEMA member countries are introduced.

Expected Impact: in 1990, 2.8 percent growth in usable national income, 2.6 percent growth in industrial production, 7.6 percent growth in Group B sector, and 0.8 percent growth in Group A sector; from 1990 to 1992, an increase of 38 percent in the production of consumer goods; by the end of 1992, a reduction in the budget deficit from 10 to 2 or 2.5 percent of GNP.

Stage Two: Economic methods for the management of the national economy take effect -- 1993-1995: new forms of ownership and regional financial autonomy (established in stage
One) promote the role of market economics; by the end of 1995, the state sector is to account for 65 percent of production, private leasehold enterprises for 20 percent, and joint-stock companies for 15 percent. 

*Expected Impact:* in 1995, a 39 percent increase (over 1990) in the production of Group B output; by 1995, a 25 percent increase in national income.
APPENDIX C: The Ryzhkov Program (May 1990)

This second Ryzhkov Program, introduced in May of 1990, outlined three stages in the transition toward a regulated market economy. These three stages were as follows:

Stage One: Preparatory work -- 1990: the formation of the legal foundations necessary for a market economy are completed; preparations are made for price-formation reform and for the introduction of a system of social support for the population. Expected Impact: a slump in production; a decrease in the volume of capital investments (1990 through 1991).

Stage Two: Implementation of measures toward the formation of a market -- 1991-1992: price-formation reform is enacted; in 1991, 60 percent of light-industry consumer goods are set to be sold at fixed prices (set by state agencies), 30 percent at regulated prices (maximum ceiling is set by Union and republican agencies and specific price is set below this ceiling by suppliers and customers), and 5 to 10 percent at unrestricted prices; 40 percent of cultural, consumer, and household goods are set to be sold at fixed prices, 35 percent at regulated prices and 25 percent at unrestricted prices; 60 percent of foodstuffs are set to be sold at fixed prices and 40 percent at regulated and unrestricted prices; a system of social support (indexation of income combined with compensation payments; payment is set at 40 rubles per month for those with low earnings and at 15 percent of wages (maximum of 45 rubles per month) for others with higher earnings; payment is set between 30 and 35 rubles per month for children and pensioners) and taxation is introduced; credit reform is implemented; beginning in 1991, state orders are limited to the following objectives (accounting for no more than 40 percent of the total output): defense needs, orders for public education, public health and culture, fulfilment of export obligations, implementation of nationwide scientific and technical programs, the formation of market stocks for the population, and the creation of state reserves of materials and equipment; convertible currency and world prices for transactions with CMEA member countries are introduced. Expected Impact: an average increase of 46 percent in industrial wholesale prices; highest price increases were expected to be in the fuel and raw material branches (82 percent in the fuel and power complex, 71 percent in the metallurgical complex, and 64 percent in the chemical and timber complex); an average increase of 100 percent in retail food prices, including a 130 percent increase for
meat products, 150 percent for fish products, 100 percent for dairy products, 200 percent for bread and baked goods, 80 percent for sugar, and 70 percent for vegetable oil; non-food commodities were to increase an average of 35 percent, including a 35 percent increase for footwear; an increase of 70 percent for consumer and municipal services (excluding housing rent); an increase of 50 percent for passenger travel by air and rail; material and financial balance by 1992.

Stage Three: Intensive development of market relations -- 1993-1995: further cutbacks in administrative restrictions are initiated; anti-monopoly policy is implemented.

Expected Impact: conditions are established for an economic upswing and an increase in living standards.
APPENDIX D: The Shatalin Plan

The Shatalin Plan was based upon a four stage transition to a market economy. The four stages were as follows:

Stage One: Days 1-100: sale of state property begins; farmers are given the right to leave collective farms with an allotment of land and equipment; establishment of a two-tier banking system; prices (except those for basic commodities) are freed; substantial cuts to the budget are initiated, including a 76 percent cut to foreign aid and a 10 percent cut to defence; a single exchange rate is set for ruble.

Stage Two: Days 100-250: wage indexation begins; half of small shops and restaurants are converted to private ownership; 1,000 to 1,500 large state enterprises are transformed into joint-stock companies.

Stage Three: Days 250-400: stabilization of the market; 40 percent of the manufacturing industry, 50 percent of the construction industry, and 60 percent of retail trade and services are converted to joint-stock companies, privatized, or leased; establishment of a currency market for the purpose of making the ruble convertible.

Stage Four: Days 400-500: the beginning of economic recovery; 70 percent of industrial enterprises and 90 percent of the construction industry and retail trade are no longer state owned.
APPENDIX E: The Presidential Plan

The Presidential Plan retained the Shatalin Plan's four-stage transition, however, replaced its 500 day time frame with a vague range of 18 to 24 months. The plan envisioned that the republics would voluntarily delegate control of the following to the center: first, financial, credit, and exchange policy; second, common customs policy in order to ensure the protection of the union-wide market; third, the management of defence industries, transport, energy, and telecommunications. The Presidential Plan listed the following conditions for the creation of a market economy: first, maximum freedom of economic activity; second, based upon the equality of all forms of property, full responsibility of organizations, entrepreneurs, and workers for the results of their economic activities; third, an end to monopolies which would motivate competition between producers and stimulate economic activity; fourth, price reform premised upon supply and demand; fifth, except for certain specific sectors, the abandonment of direct state involvement in economic activity; sixth, an extension of market relations to spheres other than defence, health, science, and culture; seventh, an open economy integrated with the world economic system; and eighth, a state social security system.
APPENDIX F: The Yavlinsky Plan

The Yavlinsky Plan was premised upon substantial financial, intellectual, and technical assistance from the West. The plan established guidelines for the both the political and the economic spheres. In the political sphere, it outlined the following five stages:

Stage One: Summer of 1991: Union and republican bodies work to settle conflicts between nationalities and begin talks with organizations of employees in order to reach agreements concerning wages, employment, and work conditions for the purpose of avoiding strikes.

Stage Two: Late summer of 1991: a Union Treaty codifying a redistribution of powers in favour of the republics is signed.

Stage Three: Autumn of 1991: an Economic Union uniting both the republics which signed and, also, those which did not sign the Union Treaty is concluded; agreements with those republics which do not sign either of the two treaties are concluded.

Stage Four: Spring of 1992: a new USSR Constitution based on the Union Treaty and the agreement on an Economic Union is adopted.

Stage Five: Summer of 1992: free, multi-party elections to Union legislative bodies are held.

In the economic sphere, the plan outlined the following two stages:

Stage One: 1991-1993: the legal and economic institutions of a market economy are created; privatization of state property begins.

Stage Two: 1994-1997: the economy is structurally reorganized; a changeover from state ownership to private, and other forms of, ownership, from military industry to civilian industry, from heavy industry to the production of consumer goods and services, and from a closed economy to an open economy is initiated.
APPENDIX G: Pavlov’s Anti-Crisis Plan

Pavlov’s Anti-Crisis Plan intended to stabilize the Soviet economy by the end of 1991. The plan is best described as a combination of deregulation and authoritarian measures. It included the following provisions: first, a moratorium on political strikes and on rallies during working hours; second, by October 1991, complete price liberalization; third, by the end of 1991, the privatization of approximately one-third of small enterprises in the trade, consumer-service, and industrial spheres and, in 1992, the privatization of at least two-thirds of such enterprises; fourth, by the fall of 1992, the transfer of at least 10 percent of the stock (or the value of the property) of all state enterprises to members of the enterprises’ labour collectives or to other citizens; and fifth, beginning in 1992, the implementation of tax reform.
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