“Gorbachev and Economic Reform in the Soviet Union”

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Unlike his predecessors, Mikhail S. Gorbachev has captured the imagination and praise of most of the world. Ironically, he seems to be much more popular in Western Europe and even the United States than he is in his own country. In contrast to the usual situation, those of us in the outside world are pleased with what we see as his success thus far in improving international relations and striving for change, the right kind of change, in particular in the Soviet Union, and we hope that he will continue. In contrast a surprisingly large number of people within the Soviet Union see little progress. In fact, many in the Soviet Union feel that the cost of Gorbachev’s reforms far outweigh the benefits. What is it Gorbachev is attempting to do, why is he doing it, why is he meeting resistance, and what is there in all of this for the United States?

I.

When Leonid Brezhnev died in November, 1982, the Soviet economic system was in need of a fundamental overhaul. Economic growth had come to a halt and in many instances had actually become negative. Moreover, as Soviet economists themselves now acknowledge, what growth there was, often looked better on paper than in fact. The goods produced were of poor quality and in many cases were of no practical use. There had been four consecutive bad harvests and despite unusually large grain imports, it was necessary nonetheless to introduce formal food rationing in over a dozen large cities.

Yuri Andropov restored some order and discipline to the system but because he lived such a short time after being made General Secretary, his premature death left the Soviet people as cynical and dispirited as before, particularly when it was announced that the equally ill Konstantin Chernenko would be Andropov’s successor. As anticipated, Chernenko, despite his promises, did not follow through on Andropov’s initiatives and the economic and political systems began to slip again.

Gorbachev was acutely aware of how serious the Soviet condition was. Once installed as General Secretary (it seems like it was a decade ago, not the three years it will be on March 11), Gorbachev moved quickly to bring order and discipline to the system. Taking a leaf from Andropov’s mentor, Gorbachev, too, called for more discipline and a crackdown on alcoholism. Typically he also ordered some increased centralization, some decentralization, an economic speed-up (sukhorenya), more technological growth, and more investment in the machine-tool industry. Just as with Andropov, this prescription brought some short run improvement, but in no way addressed any of the basic needs of the society or far-reaching reforms.

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Only gradually did Gorbachev discover he would have to try an entirely different approach. The realization apparently came to him as he moved about the country trying to promote his package of discipline, sobriety, and uskorenie. Unlike most of his predecessors, Gorbachev decided the best way to do this was to enter into a real dialogue with the groups he encountered. Admittedly, many meetings were stiff and formal, but a surprisingly large number allowed for actual, and in some cases, clearly spontaneous interaction.

But a strange thing happened along the way; instead of Gorbachev's convincing the crowds to adopt his traditional set of panaceas, they managed to convince him that conditions were much graver than Gorbachev had originally anticipated and that the reform would have to be much more far-reaching than Gorbachev had thought. As a member of the Politburo, undoubtedly Gorbachev knew that much needed to be done, but having been sheltered by the trappings of power such as his limousine, his access to special stores and special resorts, Gorbachev seemed genuinely surprised by the dismal conditions he found. On a visit to Tyumen in September, 1985, he was openly dismayed to learn that this West Siberian city with 400,000 people lacked a single movie theater. On his return he reportedly told Agis Alekseyev, one of his chief reformers, that "Conditions in Tyumen are worse than I thought." Similarly, during his October, 1987 trip to Mordovsk, Gorbachev confessed that "It was distressing and hurtful to listen to worker rebukes yesterday," as they complained to him of the lack of amenities. Ten days later, in a pattern that has been repeated over and over again, he heard the same complaints in Leningrad.

Gorbachev learned something else he apparently had not originally anticipated. His problem is not only one dealing with economics, but also with political conditions and the two are interconected. A major cause of the poor morale and work habits was worker alienation. After seventy years of arrogant behavior by party officials, there was a clear perception that the bulk of the rewards in the Soviet system went to the party oligarchy. Why work hard when the bulk of the fruits of their work went primarily to party bigwigs, the shikshki. Moreover, under Brezhnev these shikshki or members of the nomenklatura could count on life tenure and acted accordingly.

II.

Gorbachev quickly concluded therefore that to generate a feeling of participation and sharing among the populace he would have to go much further than he originally seemed to anticipate. In what seemed to be a trial and error process, he gradually began to call for considerably bolder measures. These measures encompassed not only significantly more radical economic measures, but equally radical political changes.

Recognizing that something had to be done to call the party aristocracy to account, Gorbachev first urged an increasingly greater role for glasnost. In a speech in the Soviet Far East, for example, he told local party officials, somewhat unrealistically, that they should do all they could to foster criticism by the local class of abuses by those lower party officials. As Gorbachev noted, since the Soviet Union lacks a multiparty system, glasnost' or open criticism in the local press about party excesses would have to serve as one of the main checks of such abuse. However, eventually he came to recognize that asking the fox to call in the hunter is probably an ineffective way to protect the chickens; Gorbachev began to look for more far-reaching solutions. This in large part explains his call in September 1986, a year and a half after coming to power, for something more than glasnost'. Gorbachev then began to call for democratization. Eventually Gorbachev's democratization came to mean at least in principle, not only elections, but more than one candidate and secret ballots. All of this was in the name of attracting popular support, including a sense that no one could expect lifetime tenure in office regardless of how powerful they might be.

Gorbachev's thinking about economic reforms evolved in much the same way. With time he went beyond discipline and mere centralization and deconcentration. Similarly, uskorenie no longer became such an urgent matter. Gorbachev recognized that among other malaises the country was suffering from was the hardening of its centrally planned arteries. He began to move toward central decision-making and to transfer day to day production decisions by the country's factories. At the same time he decided that it was necessary to force enterprise managers to make decisions for themselves. Thus, as of January 1988, Gorbachev has ordered that factories producing sixty percent of the Soviet Union's industrial output can no longer expect subsidies if they are not profitable. In principle they must pay their own bills, make their own decisions as to whom to hire, what to produce and how to do it.

The expectation is that by shifting decision-making power away from Moscow, factory managers will be more responsive to consumer needs. That same motivation led Soviet officials to authorize private and cooperative business undertakings. Private enterprisers are still unable to hire (or exploit) anyone other than family members, but private businesses should still make possible an improvement in services.

Something similar is now possible on the Soviet farm. While Soviet peasants have long been able to cultivate their own private plots, the appeal to private initiative has been broadened to include the operation of certain general farm activities. The peasant families can now contract with the farm management to raise farm livestock as a sort of sub-contractor. They can also continue to grow crops in a similar fashion. Moreover, the farm as a unit is allowed to sell up to thirty percent of its output directly to retailers on collective farm markets in the city.

Equally far-reaching is the decision to allow capitalist corporations to enter into joint ventures with Soviet firms which will operate within the Soviet Union. This breach of the ideology of the past is designed to facilitate the flow and constant renewal of technology without the need to spend or borrow convertible currency. The capitalist partners, who can own up to forty-nine percent of the venture, will supply the needed capital as their share of the operation.

III.

Without doubt the reforms now being proposed represent a radical departure from the past. The problem is, however, that while the political reforms seem to work all too effectively, the economic reforms are being resisted and there is little to show for all that has been promised. Gorbachev and the ministers continue to play an important role. They still have the power to make administrative appointments and to issue what are called "government orders" or gozdelaffy from the factories. These orders are intended to ensure that the government needs continue to be filled, but might be expected, these orders are being abused. One factory manager reported, for example, that its gozdelaffy total 103% of the factory's planned output.

The same distortions have severely compromised most of the other reform efforts. Thus except for some in the minority republics, relatively few individuals have decided to set themselves up in legal private businesses. That in part is a consequence of the continuing ambiguity towards private business of party officials. There are still periodic crackdowns on "speculation" and on "unearned income" and this predictably encompasses legitimate private operations as well. Similarly Soviet peasants have shown extreme reticence about shifting to a
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As long as Gorbachev is firmly in control and determined to move forward with his reforms, the likelihood is that the Soviet Union will continue to seek to improve relations with the United States and agree to asymmetrical weapons agreements. This does not mean that Gorbachev can be too forthcoming, especially as opposition to making too many concessions builds up in the Soviet Union. Under the circumstances, the United States should continue to seek accommodation with Gorbachev. However, in exchange for concessions on arms control and an improved Soviet response to disengagement and immigration inside the Soviet Union, we in the United States can probably facilitate the process if we are more forthcoming on some other issues, particularly in the field of trade. Since he is having so much difficulty producing results for his economic reforms inside the Soviet Union, it would help Gorbachev if he could point to some economic payoff elsewhere and foreign trade would be at least a partial substitute.

Even in most of the cycles outside the Soviet Union have now come to concede that at least some things are different in Gorbachev's Soviet Union. However, there is no guarantee that Gorbachev will hold to his reforms. He may decide for expediency to go slower and to make more compromises. For that matter, there is nothing to ensure that Gorbachev can even continue to hold on to his post. Ultimately the decision as to whether Gorbachev goes or stays or compromises will be made by those in the Soviet Union, but to the extent that the United States can show good faith when it deals with him, by ratifying the INF agreement and by agreeing to improved economic concessions, there is a good chance that Gorbachev's efforts will be facilitated. Given the resistance and even opposition he faces at home, this could be very important for him.