

What were the internal and external pressures for Gorbachev's economic reforms?

By 1985 when Mikhail Gorbachev became General Secretary of the Communist Party and premier of the Soviet Union it was already obvious to everyone within and outside the Soviet Union that the stagnant economy was in need of urgent reform.

Gorbachev faced huge pressure to fundamentally reform the economy from both internal and external sources. This essay will look at the failings of the Soviet economy and why they led to such pressures for reform. Firstly the internal sources of pressure for economic reform shall be looked at and then afterwards those external sources which pushed Gorbachev towards reforming of the economy. However it shall also be shown that whilst there are clear internal and external pressures for reform many need to be looked at as part of an interconnected web pressuring for reform rather than a clear division between internal and external pressures. It shall also be shown that the fundamental pressure for economic reform came from the poor standard of living endured by the majority of the population and both internal and external pressures find their significance in their detrimental effect upon this standard of living.

In trying to examine the various pressures, both internal and external, that pushed for economic reform it must be stated that any attempt to analyse the Soviet Union's economic performance is fraught by the lack of credible and accurate statistics, which were often manipulated for political purposes (Sakwa 1990:270). There are also other areas in which quantitative data is unable to reveal the true scope of the effects of the economy, for example the impact upon the environment. However despite this lack of exact figures a broad picture does emerge of an economy that from at least the mid 1970's had either had negative growth or a negligible amount barely able to set off inflationary pressures (Hohmann 1990:125).

Whilst economic growth may have slumped by 1985 the devastation wrought upon the environment was continuing apace. Whether it was the withering away of the Aral Sea or irresponsible use of irrigation and lack of crop rotation which caused soil erosion among huge areas of land, especially in the aftermath of Khrushchev's Virgin Lands Campaign in Kazakhstan, the Soviet system had consistently damaged the environment.

Such environmental devastation was a huge internal pressure pushing for the reform of the economy; with the both the people and the leadership increasingly seeing the results of short term economic planning over long term environmental concern. In his memoirs Gorbachev recounts a visit to Western Siberia soon after becoming General Secretary in which he saw for himself the huge environmental destruction and the people's anger at the activities of the economic system which inefficiently and recklessly used natural resources at the expense of the surrounding area (Gorbachev 1995:228). Damage to the environment occurs in every economic system, however under the Soviet system such recklessness was built into the very fabric of the economy for 'only effective and consistently applied official sanctions could have enforced improvements and these would have to come from the same authority which was encouraging the wastage in the first place' (Judt 2007:571). By 1985 and decades of environmental abuse it was recognised among both the leadership and the general population that it was the communist command economy which had allowed such environmental

degradation to take place and only wholesale economic reform could help reverse it.

Just as the nature of the Soviet command economy inadvertently led to environmental corruption it also led to moral and economic corruption on a huge scale. Indeed such was the scale of this corruption and trade in stolen goods that a huge 'black market' sprang up undermining the system and making a mockery of the rule of law. The Soviet system was riddled with corruption and criminality from the bottom of society right up to the leadership and it permeated all areas of Soviet life (Sakwa 1989: 89). In an economic system that failed to reward people appropriately for their work and which could not provide people with the goods or services that they wanted and when they wanted it is not surprising that a corrosive and institutional corruption set in that increasingly showed the ruling Marxist-Leninist ideology to be morally, as well as economically, bankrupt. This sense of disorder and institutional and pervasive corruption created a huge internal pressure on Gorbachev to push for economic reforms that would help to change this state of affairs.

The pervasive corruption was a symptom of the inefficient and unproductive economic system that the Soviet Union was ideologically committed to. However in spite of environmental damage and widespread corruption up until the 1970's the Soviet leadership could point to continuing economic growth as a sign of achievement. However under Brezhnev this growth had slowed to little more than a trickle.

The economic stagnation that had set in under Brezhnev throughout the 1970's and which continued up to Gorbachev's premiership had many causes. The abolition of the price mechanism made it near impossible to ascertain real costs or to adapt to changes in demand, a centrally based planning ministry (Gosplan) held back innovation and risk taking, the dependence upon oil and gas, the insistence upon primary industrial output and the obsession with quantitative as opposed to qualitative goods all contributed to the dire state of the Soviet economy (Judt 2007:577-579). What connected all of these causes of economic stagnation were their foundations within Soviet ideology of Marxist-Leninism.

Marxist-Leninist ideology which underpinned the entire fabric of Soviet society was based on the premise that Marxist-Leninism offered a superior economic system to western capitalism and provided the Soviet system with its political legitimacy and justified its existence. The sociologist Max Weber premised that every government and authority depended on a certain amount of legitimacy to survive and without it would soon collapse. Whilst there are different forms of legitimacy such as charismatic or democratic the Soviet system had by Gorbachev's premiership been based on providing increased economic performance, yet by Brezhnev's last years the economic slump had produced a fundamental legitimacy crisis which threatened the entire Soviet system (Sakwa 1989:217-220).

We can therefore see that the fundamental internal pressure that led to Gorbachev initiating economic reforms was the legitimacy crisis that threatened the very survival of the regime. Whilst the concept of legitimacy may appear to be abstract and theoretical there had already been examples within the Soviet Bloc of what happened when communist regimes lost legitimacy. The Hungarian revolt in 1956 and the disturbances in Poland throughout 1980-81 showed Gorbachev and the Soviet leadership the very real consequences of a breakdown in legitimacy (Sakwa 1989:220). The economic reforms the Gorbachev was to push throughout the latter half of the 1980's can therefore be seen as nothing

less than a last attempt to again provide a semblance of legitimacy and thus a continuation of the Soviet political system.

The need to justify and retain the legitimacy of the Soviet political system was not the only internal pressure pushing for economic reform. The poor living standards which were behind the legitimacy crisis were in themselves a huge pressure on Gorbachev to pursue economic reforms.

The Soviet economy in the 1980's had changed little in orientation from Stalin's era with a focus towards heavy industry and resources directed towards things such as steel, coal, iron and petro-chemicals whilst the production of consumer goods was systematically underfunded (Sakwa 1990:295). The problem was that whilst the economic orientation had stayed largely the same, the expectations of society had changed. Whilst the focus on primary output and heavy industrial goods could be understood in the 1930's as a necessity to industrialise the Soviet Union or in the aftermath of the second world war to rebuild the country, by 1985 the general population was desperate for an improvement in living standards through improved housing, social services, healthcare, consumer goods and basic food stuffs.

It was a damning indictment upon the Soviet economy that even in the agricultural sector where in the late 1970's and early 1980's a third of investment was directed towards food production the agricultural sector could barely keep up with population growth and certain foods had to be rationed (Hanson 1987:98-99). It was not only that food was rationed and consumer goods scarce but the housing that the majority of Soviet citizens had to live in were substandard and in need of repairs whilst a large minority were without running water or satisfactory sanitation conditions and millions of people had to wait years to even gain access to such poor quality housing (Smith 1992:261-262).

The Soviet economy was so inefficient and defunct that the government had to resort to importing huge amounts of foreign goods, including basic food supplies, to make up for the lack of supply within Soviet Union itself. This created a situation whereby the government built up larger and larger budget deficits and foreign debt to pay for imported goods to try to maintain living standards and uphold the legitimacy of the regime.

Of course such a situation can not last for an unlimited period of time and by 1985 the seriousness of the situation was fully recognised by Gorbachev. To compound the problem the Soviet economy was dependent upon the export of oil and gas for the foreign currency with which it paid for these foreign goods. Therefore the Soviet economy was hostage to external factors out of the governments control and when the oil price collapsed as happened throughout the early half of the 1980s the government found itself in a situation in which it needed to become increasingly indebted or stop providing the goods to increase living standards (Smith 1987:151-155).

We can see then a clear link between internal pressures such as the desire to improve living standards with external pressures such as the dependence upon the price of oil, for the price of oil determined how much the Soviet government could import goods to placate the population. It was not only here that there was a direct link between external pressures and internal ones.

Whilst the pressure to increase living standards came from the Soviet population and thus can be seen as an internal pressure pushing for economic reform it must also be seen as directly linked to the increasing prosperity of western capitalist societies. The pressure for economic reform was so strong not just because of the

poor living conditions in the Soviet Union and the threat to the regimes legitimacy that came with it but also because the superior living conditions enjoyed by Western nations was in itself undermining the Marxist-Leninist ideological underpinning of the Soviet system and seemed to offer out an alternative and more prosperous route to economic success than the communist vision. In many of those areas which we can measure for quality of life such as life expectancy, quality and quantity of goods and services, availability of food, sanitation and quality of housing the Western capitalist nations were clearly at an advantage (Judt 2007:581). This external factor of a good standard of living in western capitalist societies combined with the internal pressure of poor quality of life in the Soviet Union created a powerful and overwhelming pressure for Gorbachev to institute fundamental economic reforms.

Not only was the Soviet Union finding external pressure for reform from the West's superior standard of living and its own failure to keep apace but it was also struggling to keep up with the West militarily.

The Soviet Union found itself in the position after the Second World War of being one of world's two military superpowers, a position which it struggled to maintain. Despite lagging behind the West militarily for most of the post war period, throughout the Brezhnev era a 'military first' policy was followed with the aim of achieving parity with the West in both conventional and nuclear forces (Rice 1987:193). However this military build up came at a huge cost, and one which the Soviet Union could ill afford. At the height of the Soviet attempt to achieve parity with the West between 30-40 percent of Soviet resources were being directed towards the military, up to five times the American share, and whilst in the short term the Soviet Union could just about maintain the huge pressure on the economy it was unsustainable in the long run and especially so if a new arms race were to occur (Judt 2007:592).

The Soviet Union, despite its 'military first' policy had enjoyed a period of easing tensions with the West throughout the 1970's known as detente. However the election of Margaret Thatcher in Britain in 1979 and Ronald Reagan in America in 1980 were to lead to a far more confrontational and abrasive relationship with the West and what has been termed the Second Cold War and a new arms race began, just at the time the Soviet Union was already struggling to maintain its military expenditure (Sakwa 1989:283).

This Second Cold War was to bring a huge external pressure on the Soviet regime for economic reform, for it simply could not keep pace with the increased military expenditure of the Reagan administration nor did it have the resources to try to technologically compete with Reagan's new S.D.I initiative which if successful would have made redundant large parts of Soviet nuclear weaponry (Rice 1987:200-201). The Second Cold War was in effect bankrupting the Soviet Union and the regime knew it.

It was not just the military aspect of the Second Cold War that was creating pressure for economic reform. Aware of the Soviet dependence upon imports, especially of food and high technology equipment, the U.S and their allies issued sanctions against imports of these goods to tighten the pressure on the Soviet economy. The United States particularly targeted their economic sanctions against high technology equipment that could be used in the Soviet oil and gas extraction industries, aware that it was particularly important to the Soviet economy (Hanson 1982:77-81).

These huge external pressures for economic reform, both military and trade, were so powerful because they directly affected the living standards of the Soviet

people. To keep spending the huge amounts on military expenditure directly affected the living standards of the population whilst the economic sanctions targeted against the oil and gas industries directly affected the Soviet Union's main foreign currency earner which hampered them in their efforts to import those goods. We can see once again that the external pressures for reform are so powerful because they are directly linked to the internal pressure of poor living standards.

The Soviet economy was by 1985 falling apart. We have seen how its whole orientation had changed little since the 1930's, at a time when the Western world was moving towards a knowledge based economy, the Soviet economy was still relying on the production of primary heavy industrial goods and the extraction of raw materials such as oil and gas. Furthermore the Marxist- Leninist ideological underpinning of the Soviet system discouraged innovation, productivity and efficiency through its refusal to allow profit and its abandonment of the price mechanism in favour of centrally controlled planning.

These ideological induced structural failings of the Soviet system created the environment in which huge pressures, both internal and external, could be brought against the Soviet regime and ultimately pushed Gorbachev to institute fundamental economic reforms.

The primary and fundamental pressure pushing for economic reform was the failure of the Soviet system to provide the people with a better standard of living. As we have seen almost all aspects of life which the majority of the population put up with were substandard, whether it was housing, availability of consumer goods, healthcare or availability of food the Soviet system was failing its people. Not only was the Soviet system failing the people materially but also environmentally and morally with environmental degradation and economic corruption rife and creating within the population a huge desire for change and reform. This failure of the Soviet system to provide an adequate standard of living created a legitimacy crisis which threatened the very survival of the regime and made the need for fundamental economic reform urgent.

Whilst these internal pressures were creating a movement to reform the economy there were simultaneously huge external pressures which were pushing Gorbachev to making his economic reforms. The ending of the period of detente and the beginning of the Second Cold War created huge incentives for reforming the economy. The huge increase in U.S military expenditure and the S.D.I project could not be matched by Soviet resources unless huge cuts were made in spending on social services and consumer goods including basic food supplies, which as we have seen could not be done due to the internal pressures this itself was putting on Gorbachev . Meanwhile the Soviet economy's dependence on oil for foreign currency meant that when the oil price slumped in the early 1980's it was unable to handle the fallout. Coupled with U.S trade sanctions against exporting any high technology equipment that could be used by the Soviet oil and gas industry created a situation in which the Soviet regime was unable to fully utilise its primary export to import goods that its population was demanding.

Gorbachev was pressured into his economic reforms by this unique set of simultaneous internal and external pressures which found their cause in the Soviet Marxist-Leninist ideology and its failure to provide for its people the living standard that they desired and which they were to see Western capitalist nations enjoying.

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