

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

When Mikhail Gorbachev became Soviet Premier in March 1985, it became clear that he faced an almost indescribable task in dealing with the Soviet Union's problems. He had recognised the need for urgent and radical reforms particularly in the area of the ever increasingly stagnant economy. Gorbachev's convictions of economic reform expressed through his Perestroika policy was further strengthened by the internal and external pressures being placed upon the USSR. This essay will look at the many pressures he faced and will examine how their impacts pushed Gorbachev into embarking on his reform agenda. It will also be argued that these pressures; internal and external, were often connected and when combined magnified the need for urgent reform.

The situation in 1985 had become very grave for the Soviet Union. It seemed that the whole Soviet system was under threat and on the verge of collapse. This was most notable in the stagnant economy, which by the mid-1980s seemed ready to implode and destroy the entire Soviet system from within. The stagnating economy had established itself further during the Brezhnev years and served as a major internal pressure. The economy, modelled on the Stalinist method of the 1930s had stifled economic growth and had stalled development. The Command economy fostered an anti-aspirational and anti-entrepreneurial culture which hindered economic progress and stifled competition. The state planning committee (Gosplan) set targets for industries but also held back innovation and risk taking. Gosplan's methods were also responsible for the poor growth rates of 3.7% by 1985. Gosplan's insistence upon primary industrial output and the obsession with quantitative goods all contributed to the economy's dire condition. Local soviets had no hope at all of monitoring the huge monopolistic ministries. They had no control over local budgets, state committees or over the planning process. (Walker, 1993:29).

Whereas the Western economies of the United States, Britain and West Germany had taken advantage and embraced the new technological revolution, the Soviet economy remained wedded to the Stalinist dogma in heavy industry and military expenditure; the so called Military-Industrial complex. Light scale industries based on technology, science and consumerism flourished in the west, but failed to materialise in the USSR. The forces of stagnation cared little for scientific and technological progress. They were content with the status quo. (Chubarov, 2001:146). The internal pressure for economic reform became more paramount as the living standards of the Soviet population began to decline rapidly by the mid-1980s. Their counterparts in the west enjoyed access to quality housing, electricity and water supplies and also benefited from the boom in consumerism and retail, that were a result of the rise of the free market. By the time Gorbachev became Soviet leader, the population at large were eager for improvements in their living standards, through improved housing, access to better healthcare and consumer goods and food staples. The sight of Soviet citizens queuing for basic food essentials was a common sight in 1980s Russia. The goods that were available were often scarce and subject to high inflation which pushed up the price of food commodities.

The Soviet people also had to endure poor and inadequate housing conditions. During the Khrushchev years, a rapid expansion was made in communal housing with the emergence of apartment blocks and urban estates. However, these new homes and flats were ill-designed and aesthetically unappealing. By the 1980s, most Soviet citizens outside the major cities lived in shoddy and cramped housing, the kind built in the 1960s. The housing the Soviet people had to live in was substandard and in desperate need of repair and improvements. Most apartment blocks had no running water, suffered from poor electricity supplies and incredibly poor and awful sanitation conditions.

It became clear to most Soviet citizens that their standards of living were poor and inadequate when compared with the west. Western citizens had access to greater commercial and consumer goods such as washing machines, refrigerators and the new advanced technological equipment such as computers and video recorders. The USSR could launch satellites into space, yet proved unable to provide its people with the lifestyle enjoyed by those in the west. The standard of living for citizens was low and their remained great inequalities in the size of incomes. While average pensions rose faster than average wages, most pensions were insufficient for a comfortable and affordable old age. Moreover, higher wages could not always be translated into higher standards because as often the desired goods and essentials were not to be found in the supermarkets.

The failure of the Soviet system to provide an adequate standard of living for its own people and to provide economic benefits helped to create a legitimacy crisis which threatened the regime and pushed the need for urgent economic reform. The Marxist-Leninist ideology that underpinned and held together the Soviet system seemed incapable of providing its people with the standard of living they so desired and deserved. The 1961 promise of Khrushchev that the soviet people by 1980 would live under full Communism with economic and material rewards seemed a hollow and empty promise. The old Leninist ideology seemed no longer capable of incorporating the broad masses into the Communist project (Chubarov, 2001:150)

The crisis of legitimacy had an effect on Gorbachev and those around him, and was a driving factor in furthering the need for economic reform. The Hungarian revolt of 1956, the Prague Spring in 1968 and the disturbances in Poland in the early 1980s showed Gorbachev and the Soviet leadership the very real consequences of a breakdown in legitimacy (Sakwa, 1989:220). The woeful living conditions of the Soviet people were a major factor in the legitimacy crisis and served as a huge pressure on Gorbachev to pursue radical economic reform.

The Soviet economy, as we have seen, by 1985 could no longer satisfy its people with consumer goods and a better standard of living and contributed to the rapid decline in the population's living standards. The whole workings of the economic system could no longer continue and was causing the Soviet system to buckle and strain. Economic performance was hindered by the inadequate planning of Gosplan and growth was being held back by resources not being used and allocated effectively. The economy was using yesterday's methods and yesterday's investments to make yesterday's products, which were being replaced in advanced economies by new products less suited to centralized planning ( Westwood,2002:435).

The Stalinist Gosplan hindered economic development further by placing huge pressures on managers to meet set targets. This resulted in goods and machinery being produced

in great quantity but often of very poor quality. Individual enterprise was subject to constant interference from the ministries who were thus pressured by Gosplan. The economic ministries ran branches of the economy as monopolies. They had control over all the administrative and productive side of industry. An example of Gosplan's failures and inadequacies can be seen in the case of Soviet railways. Managers and the train company wanted to build new train lines and fit trains with new automotive engines, but this was blocked by the bureaucratic machine of Gosplan. Gosplan discouraged innovation, productivity and efficiency through its blinded refusal to allow profit and private mechanisms, which party apparitions viewed as capitalist methods. Centrally controlled planning and its many faults was the chosen method.

Environmental damage and devastation was also an internal pressure pushing Gorbachev to economic reform. Damage to the local environment was on the increase since the 1960s, and had highlighted that short term planning was taking precedence over environmental concerns. Irresponsible use of irrigation and lack of crop rotation had destroyed huge areas of land especially during Khrushchev's Virgin Lands campaign when the rich virgin lands of Kazakhstan were turned into a dust bowl. Irrigation schemes and their poor planning had also seen the drying up of the fresh water Aral Sea. In the Kola Peninsula, inadequate care and planning had resulted in forests and lakes being poisoned by chemical over spills, while the mining fields of Kursk had destroyed the area's rich agricultural lands. The recklessness of the Soviet system had caused huge environmental damage which led to greater public anger which began to be focused at a more governmental level.

The state of Soviet agriculture in the early 1980s was another internal pressure forcing Gorbachev to fundamentally reform the economy. Gorbachev had begun his own detailed study of the state of agriculture and was appalled by the waste and exploitation of the countryside (McCauley, 1998:38). Soviet agriculture had suffered terribly through Stalin's forced Collectivisation and then Khrushchev's chaotic reforms. During the Brezhnev years, a less hectic approach was adopted but agriculture remained by the early 1980s in a state of crisis and on the verge of bankruptcy. Agriculture had immense land resources but it remained hugely unproductive. On collective farms poor management and planning led to vast waste of state funds. Fertilizers were poorly utilized while new equipment fell into disrepair. By the 1980s a quarter of the total agricultural output was produced on land in private plots. The state still had control over the prices of agricultural commodities and over production and investment decisions. The dire state of agriculture meant that the USSR was forced to import grain from America and India.

Pervasive and systemic corruption within the Soviet system was also an internal pressure forcing Gorbachev to reform the economy. The Soviet system was riddled with corruption and criminality from the bottom of society right up to the leadership (Sakwa, 1989:89). The party nomenklatura and its 'Stalinist dinosaurs' were an obstacle to reform. In the Brezhnev period they had acquired much power, privilege and wealth. Their aim was to keep their privileged positions but also to take more of a share of national products. Managers and administrators were installed in their positions by the nomenklatura elite, and they conveyed the same hostility to reform and upholding the status quo. This privileged elite stood above the law and the rest of wider society. Thinkers were constrained by the official ideology, which regarded market-orientated systems as heresy (Laver, 1997:22).

Corruption also extended to the Soviet population. Frustrated with a lack of consumer goods and food essentials, citizens turned to the black market. People would rather spend their money acquiring goods through the black market rather than wait in queues for goods they might have no chance of getting. It became necessary to bribe and barter for goods. With the complete lack of good quality consumer goods, it is of no surprise that a black market took root and flourished in the USSR.

Social problems in the Soviet Union also contributed to a stagnant economy and served as another internal pressure for reform. Low labour productivity was a factor in the slowing down of the Soviet economy and contributed to the poor growth rates in industry in the early 1980s. A certain degree of complacency and laziness existed in sections of the Soviet workforce. Many workers it seemed did not feel any obligation to work hard in their jobs (Westwood, 2002:482). This was further compounded by the scourge of alcoholism and drunkenness in the workplace which had become the main cause of absenteeism and low labour productivity. A report in 1982 revealed that for every 100 Soviets of working age, 30 were absent from work, with alcoholism being the main reason (Laver, 1997:56).

Gorbachev not only faced many problematic and chaotic internal problems but also had to endure significant and equally worrying external pressures. These external pressures were often linked to internal problems such as defence spending. By the late 1970s, the USSR had achieved military parity with the United States and was the world's second largest superpower. A vast sum of money was spent on conventional and nuclear weapons in order to compete with the West. 30-40% of the Soviet Union's resources were directed to the military, while defence spending dwarfed that of America. In 1979, in a break with the relative calm of détente, the USSR invaded Afghanistan and began to deploy SS-20 ballistic missiles in Eastern Europe. The war in Afghanistan and the deployment of SS-20s cost the Soviet empire dearly (Pearson, 2002:110).

Defence spending was pushing up huge debts and was moving the USSR ever closer to bankruptcy. The military inadequacies brought home to Gorbachev that the economic foundations of the USSR could not cope with the surge in defence spending. While the rise in defence capabilities and the Afghan war were draining valuable resources and pushing up debts, the military cost of maintaining Communist regimes in Eastern Europe was also draining the Soviet system financially.

In world affairs, the USSR had by the mid-1980s, entered a period of self-isolation from the international community. Due to its support for revolutionary movements in the Third World and through its invasion of Afghanistan, the Soviet Union faced huge international condemnation. The UN Security Council had imposed trade sanctions, while Japan and Australia halted trade. The USSR also faced a ban on high technology goods that were flooding Western markets. This external crisis caused many problems within the USSR. Grain imports had ceased and manufactured goods from outside now became affected by crippling trade sanctions. The Soviet Union's vulnerability in the field of imported goods further exaggerated the internal problems the country already faced.

The Soviet Union by the 1980s had failed to take advantage of the globalisation that was benefiting the world economy. Planners and managers failed to become involved in the technological revolution centred on microelectronics and biotechnology. High technology goods such as computers were held back by a lack of coordination and due to its low order of priority. This contrasted with the economies of Japan and China who were

enjoying successful growth rates. The Japanese economy began to specialise in textiles and automobiles and began to advance in consumer electronics. In China, October 1984 saw the introduction of capitalist reforms by Premier Deng Xiaoping. State owned industries were given greater autonomy and Chinese businesses began to invest in technological goods which were traded with the West. This international isolation was a major external pressure on Gorbachev to radically reform and overhaul the economy. He and other reformers could see that Chinese Communism had embraced market style capitalism which had benefited the Chinese economy.

The election of staunch anti-communist leaders in the West and the end of détente was another external pressure placed upon the USSR. The coming to power of Margaret Thatcher in 1979 and Ronald Reagan in 1980 signalled a new and more confrontational approach to the USSR, which also saw the emergence of a so called 'Second Cold War' and a new intensification in the arms race. President Reagan lambasted the Soviets as an 'evil empire'. This rhetoric was backed up with action. Reagan accelerated American military expenditure, refused to ratify the SALT II treaty and announced the deployment of cruise and Pershing missiles in Britain and West Germany. However, in March 1983, he repudiated the whole concept of Mutual Assured Destruction by announcing his new Strategic Defence Initiative (SDI) which would make the Soviet's nuclear arsenal redundant. Reagan's SDI exploited the Soviet Union's backwardness in computer technology, and heightened fears of an American attack. Having exhausted their country by catching up in offensive missiles, the USSR suddenly faced a new round of competition demanding skills they had no hope of mastering (Gaddis, 2005:227). SDI presented a powerful military-technological challenge to the USSR.

The domestic policies of Reagan and Thatcher also placed external pressures on the Soviet system. Reagan and Thatcher were both committed free marketers. In the mid-1980s their governments embarked on a policy of privatization and deregulation which saw the United States and Britain enter an economic boom with huge benefits for its people. The economic miracle in the West was watched with envy by people in Eastern Europe and in the Soviet Union. They could see that capitalism was bringing economic rewards to those in the west, and this led to a further undermining of the socialist soviet system.

The USSR's international position by 1985 was also leading to internal problems within the country to become ever more urgent and important. This was caused by the link from external pressures outside the country. The US and other countries ceased exports of grain and technology to the USSR and placed restrictive sanctions against imported goods. This placed a further burden on the already crumbling Soviet economy.

The external factors also added pressure on the internal situation at the time, thus making the pressures linked. The increase in military expenditure and the trade sanctions combined to place enormous strains on the living standards of the wider population. The economic sanctions placed upon the Soviet gas and oil companies thus directly and severely affected the Soviet Union's main foreign currency earner which undermined their imports of goods. Thus the internal and external pressures facing the USSR were linked and inter-connected.

When assessing the internal and external pressures for Gorbachev's economic reforms, it is important to stress first of all that the relatively young Gorbachev had an arduous task of reforming a system that was both financially and morally bankrupt. A great burden of

problems had now been placed upon him. The internal and external pressures both served as pre cursers for reform. Externally, the USSR was bankrupting itself trying to maintain its superpower status. The external pressures, most notably the trade sanctions placed on Soviet goods and industry also compounded the internal pressures.

However, one can argue that there is no doubt that the internal problems the USSR faced by the mid-1980s were the main driving force in leading Gorbachev to launch his reform programme. The economic hardships and difficulties severely undermined and frustrated the living standards of the wider population. The USSR was failing to provide its people with a better standard of living that the west was enjoying. This added huge pressure on the regime and made Gorbachev realise that this had the potential to destroy the Soviet system. Gorbachev was thus pressured into economic reform by a unique set of powerful and often linked internal and external pressures which were the result of the failure of the Marxist-Leninist ideological Soviet system.

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