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Economic History B

B Thesis

Autumn Semester 2016

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7,5 Points

Perestroika: Economic Growth and the USSR's Final Decade

1.1 Abstract

One of the great superpowers in recent history experienced a tumultuous final decade, shining a light on several important policies of economic reform known as perestroika, championed by General Secretary of the USSR Mikhail Sergeyevich Gorbachev. According to, for instance, Stuart and Gregory, the reforms aimed at renewing making the Soviet economy more efficient. In this essay, the impact of the reform on the economy is subject of analysis.

The subject is approached the topic via literature research on the topic of 1980s USSR economic problems, combined with key aggregate data on economic conditions (i.e. grain yield production, GDP per capita pre- and post-perestroika, foreign trade, life expectant pre-and post-perestroika). The thesis concluded that perestroika was unable to salvage the USSR, in fact, conditions only worsened after its administration, following into the 1990s.

Keywords: perestroika, Mikhail Gorbachev, 1980s, Soviet Union

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2 Introduction

In the early 1980s, the Soviet Union was in a deep and persistent crisis. Economically, growth had been slowing for several decades (Brancato, 2009: 153). Heavy industry, which had led Soviet growth, was obsolete and inefficient. A decline in industrial production, particularly in coal, steel, oil, vehicles, cement, and paper was noted from the late 1970s into the 1980s. Exports declined while weak state finances made imports from abroad impossible (Crouch, Dave: "The Reform that Failed", 1997).. Attempts were made to coerce other satellite countries of the USSR to barter industrial products of a lagging quality for consumers' goods and foodstuffs, thereby creating further tension within the USSR's economic and political sphere. As a result of the slowing growth rates, wealth began to decline. The stagnation of living standard was cause for ire: besides that the USSR faced a housing crisis, the deterioration of public transport, worsening medical services, and shops were poorly stocked; incentives for working dropped as a result of these deficiencies, between what people expected to get from their work, and what they really got (Gregory & Stuart, 1995: 37). In order to improve the conditions of economic growth, sets of economic reforms were introduced from the early 1980s and onwards. These reforms were meant to directly bolster the Soviet economy and working condition first from within.

3 Purpose and Outline

The purpose of this thesis is to examine the Soviet Union under Gorbachev's policies of perestroika, and thus the effect they had on the economy. Specifically, the conditions of the USSR's population, life expectancy pre- and post-perestroika, condition of grain as an indicator of the agricultural sector's wellbeing, GDP per capita pre- and post-perestroika, and foreign trade via exports and imports from 1950-1988. With this data, I will examine how the perestroika era impacted the future of the USSR (i.e. its evolution into the Russian Federation) to see the effects of the economic policies of the 1980s.

4 Limitations

This is a small B thesis, which means I am unfortunately unable to go in complete depth regarding especially the Soviet system in its entirety. Doing such would make this work easier in one regard: that the reader would be able to firmly understand the totality of the USSR's ideology, background, economic, political and social situation. My limitation stands as such: that I am able only to describe the situation in the 1980s which pertain to Mikhail Gorbachev's policy of perestroika on a domestic scale. Perestroika as a term can be defined as restructuring or rebuilding.

Many of the literature sources used were published shortly before the dissolution and asked questions surrounding the future of the USSR, posing questions about the future of the country and the future of Gorbachev. Some of the perestroika policies hadn't even come to fruition by the point of the publication and were merely speculated over by the authors of my sources. Even Aldcroft and Oliver, published in 2007, acknowledged that it was too early still to make accurate long-term predictions on Russia's future in light of perestroika and the economic and social events of the 1980s. I acknowledge the point of bias in every literature source.

5 Method and Sources

If the reforms served their purpose, and thus affected the economic conditions, this would have been reflected in increasing growth rates. As regards the analyses of pre- and post-perestroika economic growth several yardsticks have been selected. First, GDP per capita (1960-2014) and foreign trade developments (exports and imports, between 1950 and 1990) are blunt and basic but useful indicators of aggregate Russian economic growth over time. Further, foreign trade (export) was a vital source of capital (not least convertible currencies, which Russia lacked severely during the 20th century) and in particular consumer goods (imports). Foreign trade conditions also reflected the relative ability of companies as well as the Russian government to trade abroad.

In addition, the perestroika reforms partly addressed the agricultural sector; the working conditions of farmers acted as a direct response to lagging farm production, as did agricultural management reform. The agricultural sector was, together with the foreign trade the main provider of foodstuffs, and consequently, a majority of the Russians depended on the efficiency of the agriculture for their livelihood. For this purpose, condition of grain (yields) are used as an indicator of the agricultural sector's wellbeing. If economic conditions changed, this arguably would have affected welfare conditions. As indicators of living standards, I have chosen to examine the population rates as well as life expectancy.

For the purpose of growth indicators, regarding these sources, I have compiled GDP data from the World Bank, as well as data from the Maddison Project, while the trade data has been collected from B.P. Pockney's Soviet Statistics Since 1950. These sources provide reliable information on economic situations and sectors in the USSR as is possible, considering the general secrecy and unreliability of the statistics in general.

Regarding source criticism, it is indeed extremely difficult to locate reliable statistics, especially when many have gaps, missing parts, and lack of reliability in general, a common affliction which plagued Soviet statistics. My main source regarding the graphs was BP Pockney's Soviet Statistics Since 1950, and while even Pockney pulled his information from various Soviet bureaus of information, reliability is still under question.

It is worth noting this and taking the information with a grain of salt, since true accuracy is not possible in this case, given Soviet predilection for governmental secrecy and various inconsistencies when gathering information for statistics. The main source criticism lies in the fact that the USSR was a very complex and secretive place; to have a picture of certain aspects of economic situations there, one has to consider the fact that they may not be always correct, but still are able to point towards certain trends.

6 Literature

My literature sources were largely published in the late 1980s or early 1990s and focused on surrounding information about perestroika's reforms and effects. My primary literature source, before I began writing the bulk of this paper, and with the wish to better understand the ideology around the reforms, is Gorbachev's own work. This is important as it gets behind the ideas themselves as he wished to have them interpreted by the outside world, and not solely others' reinterpretations.

The following literature sources are utilized: Ernest Mandel's *Beyond Perestroika* (it is worth making a disclaimer for Mandel's Marxist bent in many of his other writings and career), Russia specialist and University of Colombia professor Padma Desai's *Perestroika in Perspective, The Capitalist Transformation of State Socialism* (David Lane), *Markets versus Hierarchies* (Ekaterina Brancato), and *The Russian Economy* (Robert C. Stuart and Paul A. Gregory), and *Economic Distasters of the Twentieth Century* (Michael J. Oliver & Derek H. Aldcroft) aid also in the assessment and analysis of perestroika.

7 The Economic and Political System of the USSR

The first section of this essay will focus on the goals and ideas behind perestroika. Secondly, we will look at graphs that reflect the consequences of perestroika's reforms on a domestic scale in the USSR: what were these reforms? Why were they necessary?

There were several issues which incited Gorbachev to implement his policies, such as a considerably low quality of goods for consumption, a de facto black market in the medical sector and a society unable to properly attend its poor and sickly. According to Mandel, the "de-politicization" of the working classes was another wellspring of societal discontent, with a poll of 65% of younger workers in then-Leningrad expressing unhappiness with their working conditions, making it a 20% increase from the mid-60s (Mandel, 1989: 36). As Aldcroft and Oliver stated, the USSR was not in a healthy state by the time Gorbachev took office, but neither was it at a point of collapse just yet (Oliver & Aldcroft, 2007: 279).

Gorbachev rhetorically stated, "It was obvious to everyone that the growth rates were sharply dropping and that the entire mechanism of quality control was not working properly; there was a lack of receptivity to the advances in science and technology; the improvement in living standards was slowing down and there were difficulties in the supply of foodstuffs, housing, consumer goods and services. Our rockets can find Halley's comet and fly to Venus with amazing accuracy, but side by side with these scientific and technological triumphs is an obvious lack of efficiency in using scientific achievements for economic needs, and many Soviet household appliances are of poor quality." (Gorbachev, 1988: 21).

Gorbachev later went on to describe perestroika as a "carefully prepared program, rather than a pompous declaration", so what does that mean for his other projected internal reforms? What did he mean by renewing economic growth and the promotion of modernization? It is obvious that the USSR's elites wanted to avoid economic stagnation, if not for the sake of the citizens therein, but also as a way to prove to the world at large that their society was one which could take on an adaptive role as well; a society which was willing and able to change but still retain its sense of self, to maintain and yet also allow socialism to evolve into something which allowed for economic growth rather than stagnation, which was able to catch itself before falling into a status that Gorbachev and his elites would not be proud of.

Mandel described perestroika as "the coming together of a developed social need and a personality with the requisite qualities to give striking expression to that need at a certain historical moment." (Mandel, 1989: 45). These reforms would prove challenging in a country which sought the decentralization of certain aspects. This was because the reforms themselves, as we will later see, included aspects that were themselves very centralist. Donald Filtzer described perestroika as the realization of USSR elites and party members that the system had run aground: to stay relevant as a superpower, the USSR had to change something from within first (Filtzer, 1994: 214).

Abel Aganbegyan, Gorbachev's economic advisor, realized that between the years 1981 and 1985, the USSR had experienced almost no economic growth. Not only that, but industrial production had fallen by 40%. Shortages were very commonplace (Crouch, Dave: "The Reform that Failed", 1997). This stagnation was worrying to Gorbachev, who also noticed a tiring social morale and continuing issues with alcoholism and drug abuse.

These shortages experienced in the USSR in terms of nutrition, the quality of services, the working order of industrial machines, lack of meat and dairy (even though the USSR produced quite a lot of dairy products) meant that this was a fertile ground on which corruption could breed. Black markets emerged from need, a problem that Gorbachev also sought to attack with perestroika's reforms. Party members of the state were quite content to go on with the acquisition of the accompanying gifts such as selective schools, private hospital rooms and care, and apartments that the average citizen could only dream of (Mandel, 1989: 33-34).

7.1 Agriculture

Padma Desai described the Soviet government and economic system up to the era of perestroika as "overplanned and overadministered", which was a real impediment to the growth that was sought (Desai, 1989:8). One real source of malaise was in the agricultural sector: the giant USSR was importing "up to" 40 million tons of grain a year.

It was not just the result of a wasteful lack of resources in farms, but also tied into the short growing season in much of the USSR's territories and the long winters as well. Desai goes on to describe that the farms of the USSR frequently experienced that their machinery was out of date or simply out of order, there were often problems with creating the right mixture of fertilizer and thus reducing the crops' likelihood of a lifespan that lasted to harvest. Aldcroft and Oliver state how, since 1963, the USSR had been begrudgingly obliged to import meat and grain from the United States, in contrast to tsarist Russia, which had been a successful exporter of grain. Now, one-fifth of grain yields were being lost at harvest due to inefficiency (Aldcroft & Oliver, 2007: 279).

A lack of storage for harvested crops was another problem to be contended with. Often rural roads were inadequate for transporting large amounts of any yield. In addition to this was the rigid way in which farms were set up in the USSR. For example, there were mainly two types of farms up to the 1980s: sovkhozy and kolkhozy, which translate respectively to state farms and collective farms. For a private individual to own their own land and take care of the affairs of selling their crops was not heard of. Both farm systems were quite rigid. One could not simply hire labor for farm work unless the local government previously approved it.

Only the kolkhozy farms allowed a bonus for farm workers who had produced an amount of yield that was above the necessary amount. Farm workers in both types of systems experienced a lack of reliable machinery (Desai, 1989: 18). The inability to have control over what was sold and how had become a source of frustration, and it meant a lack of incentive for workers within agriculture. Problems within the bureaucracy of the country led to skepticism by the common people. With reformation, it was hoped that workers would take more pride in their work and in the production of agricultural goods.

7.2 Factories, Production, and Services

A lack of variety in consumer goods, long queues for food, black market dealing, a currency that was difficult to translate, thick and muddy water in terms of trading, shoddy medical care and a school system in peril were among the issues which faced an average citizen of the USSR in the 1980s. Factories were not reliant on automation and frequently abused worker rights (Filtzer, 1994: 172). There was a lack of adequate housing. Filtzer mentioned that in the USSR, women were given the short end of the stick in terms of labor laws. There was a great deterioration of health services, problems of poverty and unemployment (Lane, 2013: 280).

Filtzer mentioned that there were roughly fourteen million women in the USSR during the perestroika era that worked within an industry. Three million women were working in what could be considered hazardous environments. These included work settings with excessive noise and vibration, old and non-working machinery that posed a threat to fingers or arms, excessive dust, toxic fumes, doing illegal night work which resulted in accidents due to exhaustion, and weight limit violations in the physical labor of women. Exposure to toxic chemicals resulted in birth defects, noted especially in regions where these more hazardous industries were common (Filtzer, 1994: 172).

In addition to the closure of many schools, many were also lacking in material needed for both teacher and student. The USSR boasted of its glut of scientists and doctors; while not untrue, if this was to continue and even improve, the education system needed to be reformed. The fact that many industries were owned and managed by the state led to a problem within the personnel of these sectors: without pride in their work, there could be very little of good quality, humane service, and etcetera (Desai, 1989: 22). People's view of their society suffered: when faced with an increasing gap between what they work for and expect to receive vs. what they actually receive, incentives suffer (Gregory & Stuart, 1995: 37).

7.3 Principles of Perestroika

Ending the USSR's economic isolation was a necessity. Horst Brand of "Perestroika and its impact on the Soviet Labor Market" noted some major principles of perestroika in his article "Perestroika and its impact on the Soviet labor market". According to Brand, these included unraveling of the Party from state affairs, cementing of norms within production settings, creating a new sense of importance in producing capital, and the fresh incitement of the importance of commercialized goods rather than those created in a setting of socialized production.

Gorbachev wanted firms have the ability to take on more autonomous roles within their own settings, including the encouragement of perhaps previously socialistically unattractive concepts such as profit, gain, and competition. To instill a sense of personal purpose in the scope of the economic system was necessary. A lack of enterprise in the USSR was causing the country to suffer economically.

It was not only in an economic sphere that Gorbachev sought change: he also looked towards the family unit as a target to approach when it came to mustering the morale necessary for perestroika. Gorbachev saw the role of women as vitally important in his plans: on p. 115 of Perestroika, he noted that the family suffers thanks to women having an unfavorable work-life balance. He mentioned that while women should hold important roles outside of the home, even encouraging the posting of more

women in administrative settings, there should also be availability for them to be able to take care of their families in the manner which suited them best.

Gorbachev viewed the rise in crime and even the turning of many youth to alcohol as the unintended child of the USSR's past emphasis on placing women outside the home, and ignoring the health of the family unit. He did not advocate the return of women to the home, but wanted to create a work-life balance which would allow women to follow their inclination in whatever pleased her most. Gorbachev was determined to fight against "social ills" which he saw as a detriment to the health and future of the USSR. Both men and women were turning to alcohol, with a 1980 estimate of 37% of workers regularly consuming vodka, leading to both work productivity problems and health issues (Aldcroft & Oliver, 2007: 279).

It was also important for him that the younger generation felt themselves involved as important actors in the future of their country. In *Perestroika*, he mentioned that modernization of the country can be accelerated if the young are willing to focus on newer technologies and keep themselves abreast of the innovations thriving within competitor countries. Aside from this, it was of importance that all citizens felt themselves responsible and willing to carry on the future of their country.

Without any real incentive or evolution within the party, Gorbachev knew this was very unlikely to be the case. Unless there was both social and political change, reform would likely not work (Gregory & Stuart, 1995: 53). He also noted that the Party must reform from within. It was necessary to maintain important Party benefits but also release the pressure on average citizens: if able to exercise certain rights, the average USSR citizen could be at least a bit able to roam in some forms of individuality, a weight of Party repression lifted, even slightly (Kagarlitsky, 1990: 84).

George W. Breslauer provided some useful information regarding just what Gorbachev aimed to take care of with perestroika in his book *Gorbachev and Yeltsin as Leaders*. For example, one of Gorbachev's ways of attacking the "social ills" persisting within Soviet society was to go after alcohol. The anti-alcoholism campaign took place in 1985. This tied into what Breslauer referred to as Gorbachev's "human factor" which would go hand in hand with the new law-based state, with which better to govern sectors of public administration, but without an indifference to the people involved. The "human factor" can be described as the culture surrounding perestroika.

Breslauer saw it as the transformation, or alteration, of cultural ideals, which was necessary if the potential of socialism was ever to be realized. "Culture must be transformed even more quickly than political or economic organization if structural changes were to take room and result in a new pattern of thinking and behavior" (Breslauer, 2002: 66-67). He went on to describe that the "educated masses" must be viewed as a "source of wisdom". In other words, discussion would also be open to the average citizen (which we will get to later). The notion that opinion could be healthy was being recognized. In fact, opinion could even go well together with the development and utilization of aspects of socialism, Gorbachev imagined.

Gorbachev wanted perestroika to impact the USSR up to the year 2000, preferably in full swing by 1990 (Tatu, 1991: 78). Perestroika, despite whatever the average person thinks of it, allowed the people of the USSR a bit of wandering room that had previously been unavailable to them: restrictions on travel were released from their stronghold, free speech was now also on the table.

Gorbachev planned to act against the bureaucratic swamp and black markets that plagued the system. Modernization was an important aspect of perestroika, especially in terms of production and automation of factories. In this way, technology was very much an important part of the future of the USSR if they hoped to catch up with competitors, with Gorbachev wanting a focus on electronics, robotics, and other machinery. The unmet demand of consumers led to thefts of an epidemic proportion from state factories. This had been occurring since the 1960s (Aldcroft & Oliver, 2007: 263).

The market was to be altered in terms of the agro-industrial complex, especially in terms of modernizing that industry, improving agricultural machinery and the bureaucratic situation of farming. Workers would need to understand, not only within agriculture, that increasing discipline was an integral part of perestroika, which would be working towards increasing the “value” and work ethic of their professions. Despite improved grain harvests in the late 1980s, import was still necessary (Aldcroft & Oliver, 2007: 295).

The work of individuals was to be valued more than before. Bureaucratic ministries were to lose some of their power, while that power would be then transferred to local administrations and firms (Mandel, 1989: 58). These are the thoughts behind perestroika’s internal affairs in the USSR, and how they were to affect the labor market.

David Lane, of *The Capitalist Transformation of State Socialism*, brought up five major goals of perestroika: 1) the democratization of political processes, 2) glasnost, 3) greater acceptance of market relations, 4) a change in foreign policy, 5) a legally constituted state (Lane, 2013: 89). Therefore, it was important to encourage enterprise, while attempting to eliminate the stigma around it, as well as reform economic administration from within by reducing the amount of “over-centralization”, and to utilize money as a dangling carrot of incentive (Lane, 2013: 90).

7.4 The Reforms

We will now discuss four major laws of reform within perestroika that influenced domestic life and labor in relation to what we’ve discussed above. Gorbachev sought a shift from what Padma Desai called an “administrative to economic management”. This was intended to lead to a sort of democratization. It was important, Gorbachev believed, that citizens felt they had a role within administrative posts, rather than simply being the clay that was thus molded by the Party and the decision they made.

I have chosen to discuss these four reforms because of their relation to both foreign trade and agriculture, which were both large issues facing the USSR in the 1980s, in terms of lagging foreign trade and underproduction within agriculture. These reforms address those problems, and the “human factor” behind them, which I will examine further as a consequence of pre- and post-perestroika USSR/Russian Federation.

Reallocating responsibility into the hands of local management, rather than the decision of the Party elites was very important, if not vital, to the future of perestroika. Gorbachev’s own description of a reason for the 1980s crises was that the system possessed a “lack of inner stimuli for self-development” (Gorbachev, 1988: 84). That “lack of inner stimuli” was directly addressed via the reforms below.

First, the Law on State Enterprise concerned issues surrounding the agricultural sector and the industries therein, personal labor laws, drug and alcohol problems, the improvement of the health system and public health in general, and issues regarding families and children (Gorbachev, 1988: 104). It was related to all things within finance, processing, trading, distribution and banking, aiming to give managers more power than they'd been previously allowed, especially when concerning which products were to be sold, and how staff were to be treated or rewarded (Aldcroft & Oliver, 2007: 287). Those affected included the State Bank and the state farms mentioned earlier. Gorbachev wanted the Law on State Enterprise to go into effect by 1990. The law itself was decreed in 1987.

This law encouraged producing incentives for firms and enterprises, an autonomous attitude, and responsibility within finance. The law consisted of the idea that enterprises were free to take care of their own issues via contracts with other enterprises, and free to govern themselves, as well as create more horizontal links between the enterprise and its customers. This meant that workers were free to elect their own managers, who in turn were in the elected position so long as the workers were content to be working under that manager (Desai, 1989: 33).

However, enterprise managers, given the freedom to set their own wages, aided in rising inflation; in other words, the earnings of enterprises rose faster than did any productivity. By 1989, there was a 10.9% increase in earnings within industrial enterprises, while actual output was only increased by 1.7% (Aldcroft & Oliver, 2007: 296). Inefficient enterprises continued to be saved by the state. This was despite the perestroika ideal that enterprises which were unprofitable should no longer exist, that the system of automatic subsidies should end (Gregory & Stuart, 1995: 59).

Second, the 1988 Law on Cooperatives, which was very important for people looking to go into their own business, however, it was necessary that one would join a collective, not start an individual business or enterprise. Cooperatives in this context can be described as auto repair services, taxicab companies, smaller manufacturing industries and so on. These cooperatives were free to hire workers full time, and didn't need the permission of local authorities to run any longer (Desai, 1989: 38-40).

Cooperatives were now also able to engage in foreign trade. With regards to employees, there were no longer any limitations on who could join a cooperative, or what kind of industry it was from the start. The cooperatives and not local authorities set their own wages (Desai, 1989: 40). This reform was a move towards limiting black market dealings by allowing the managers of cooperatives to set their own prices (Aldcroft & Oliver, 2007: 287). A major problem with this reform lay in that that managers often set prices far too high than what people were willing to pay; cooperatives also bought products from state stores and sold them at inflated prices. Cooperatives and enterprise were already tainted with the brush of black market dealings and the realm of the criminal, with constraints within working in a cooperative (such as not considering cooperative work to be a full-time job).

The third law is the Decree on Agricultural Management, from 1986. Gorbachev proposed incentives for farm workers, including the ability for farm workers to sell their surpluses without permission from local authorities. This was supposed to encourage improved performance in the agricultural sector. Gorbachev also suggested farmers would be able to lease land for longer periods of time to foster a sense of "ownership", if you will (Desai, 1989: 38). Yet, according to Aldcroft and Oliver, the longer periods for leasing land were hardly a reality; short-term leases continued to be offered, and were met with disinterest (Aldcroft & Oliver, 2007: 287).

The suggested times for leasing farmland went from between 30 to 50 years. This law was intended to remove some of the rigid institutional habits surrounding the Soviet farm system, as well as modernize farming in general, to decrease wastefulness, and implement better machinery for farming practices. If farmers had more leeway to take care of affairs on their own, without a nanny-type system keeping them in a tiny corridor, it was possible that not only would agricultural technology advance, but also the morale and work ethic of farmers would increase if their livelihoods were treated as valuable (Desai, 1989: 38). This was far from the case. Local agricultural offices didn't find this reform to be in their interest, and continued to offer short-term leases, inadequate machinery and a general shortage of fertilizer (Aldcroft & Oliver, 2007: 287).

Fourth and finally, we have the Law on Joint Ventures. This law will be described in smaller detail, as it pertains mostly to exports. This was still important for the domestic effort of the USSR, especially with how an enterprise dealing internationally would view their own business and foster a sense of competition rather than remain in a sort of economic isolation. This law was designed to encourage exports within manufacturing sectors, all the while taking away the surveillance of the Ministry of Foreign Trade (Desai, 1989: 40). As Aldcroft and Oliver put it, there were too many "unanswered questions" regarding foreign trade with the USSR, such as legal ownership should a joint venture fail, how to deal with employees, and dealing with the shadow of central planning in the foreground of a joint venture. Despite this, at the very end of the USSR's existence (1990-91), there were a little over 2,000 joint ventures already in place with the USSR by foreign partners (Aldcroft & Oliver, 2007: 289).

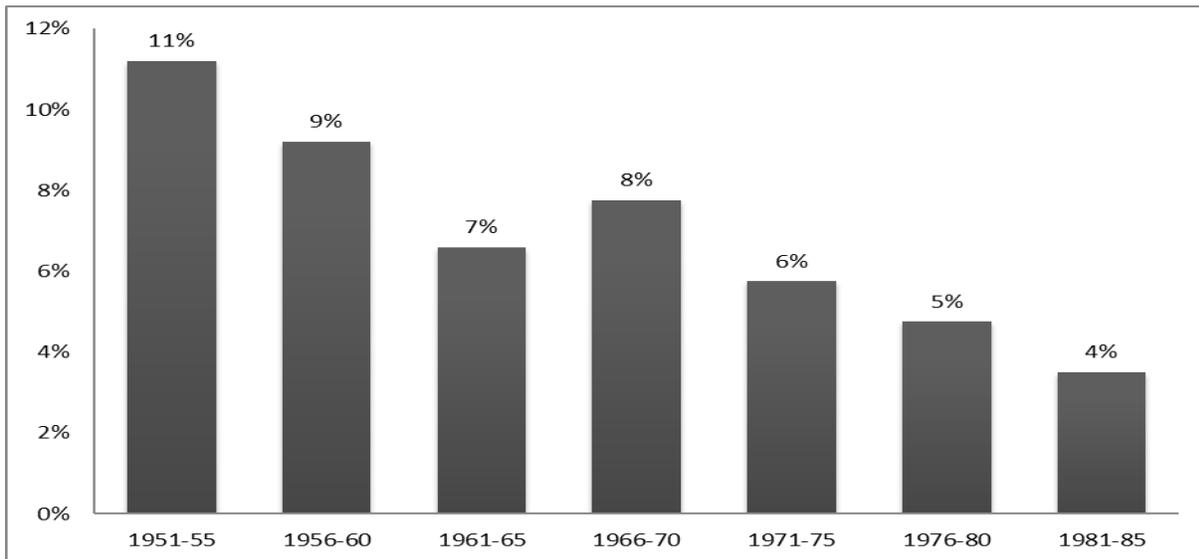
Padma Desai maintained also that these reforms failed to do accomplish certain goals set in place, making the Soviet economy under perestroika quite unlike a market economy. Filtzer called this the result of *khozraschet*, which can be described as "an attempt to reconstruct the economy using the financial discipline of capitalism without the capitalism itself." (Filtzer, 1994: 217).

The following issues were addressed in terms of what else perestroika failed to achieve: one cannot be hired by another individual without operating within the context of a cooperative (thus removing certain aspects of centralization, but thereby adding more) no thought to the creation of a stock market or private ownership, considering production industries is not allowed. Ownership of production locations would still be controlled by the state.

Where a cooperative is involved, the cooperative is not owned by one person alone but by the collective. Only production planners can make the decision to open a factory or industry. Any decisions made by planners will be referred to by a different name; even if essentially the same as being an official order of the state, they will no longer be referred to as such (Desai, 1989: 53). The reforms of perestroika, according to Aldcroft and Oliver, lacked rationality, a consistency within their application, and attempted to operate without the political support that glued together the USSR. Gorbachev also finds criticism in that he attempted to dismantle the Soviet economy without first providing an acceptable market economy substitute (Aldcroft & Oliver, 2007: 299). The basic force behind the goal of perestroika was to better the performance of the economy via its planned socialist system by using rather limited tweaking; the structure of the socialist economy was intended to remain (Gregory & Stuart, 1995:70). Indeed, a major criticism of perestroika remains that it was transition, not reform, which was necessary to propel the Soviet economy out of its slump; arguably, Soviet leaders underestimated the task at hand.

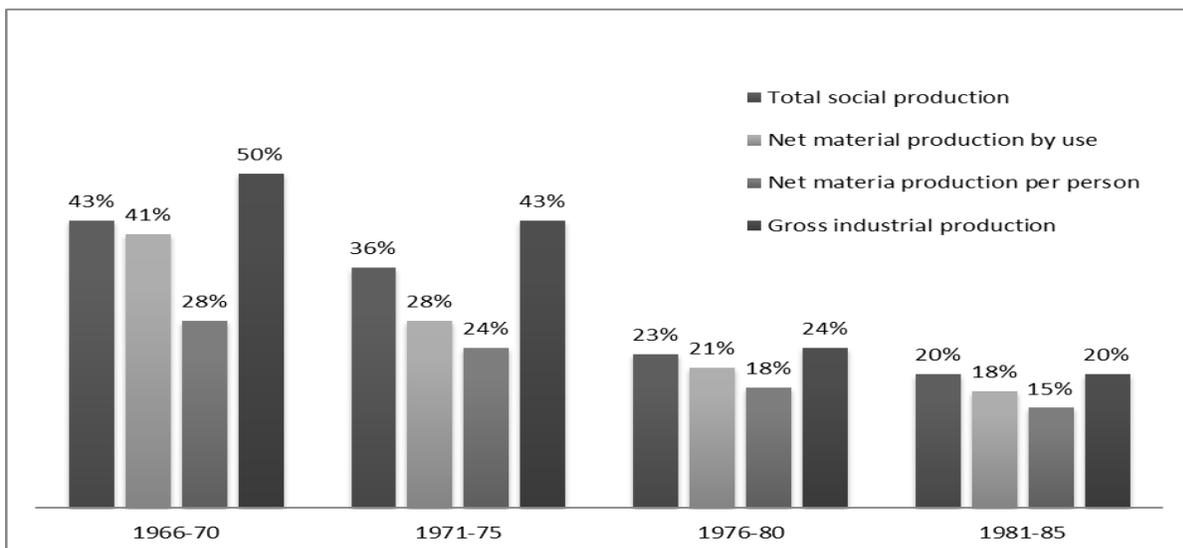
Figure 1 shows the average growth in the national income in the Soviet Union annually, this time from the early 1950s until 1985, showing the large decrease in income during the 1980s, which was a major prompting factor in the institution of perestroika in general. As could be seen in Figure 1, the annual income was at its highest in the early 1950s and only sunk with some brief fluctuations up until the 1980s. Figure 2 shows a progressive decrease in total social production, net material production by use, net material production per person, and gross industrial production. These two graphs display why Gorbachev and his colleagues would have been interested in reforms, which economic problems were proving themselves troublesome and to what degree.

Figure 1 Average annual growth percentage of Soviet national income per five-year plan



Source: Mandel, Earnest. *Beyond Perestroika* 1989:3.

Figure 2 Percentage of production per five-year plan



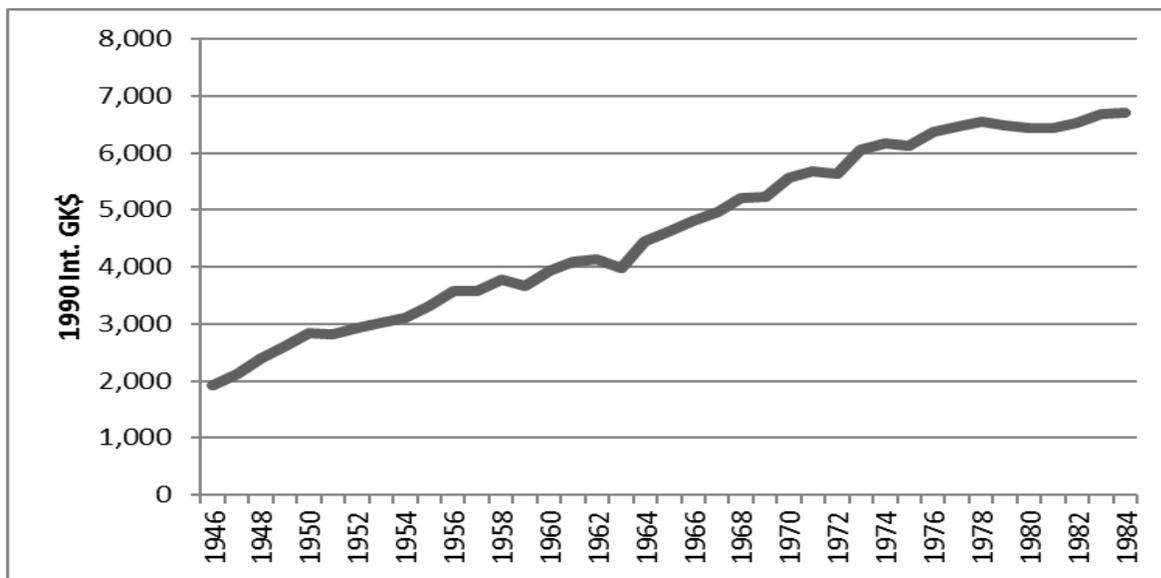
Source: Mandel, Earnest. *Beyond Perestroika* 1989:3.

8 Economic Impact of Perestroika – an empirical analysis

In this section, we will look first at the population versus life expectancy in the USSR, from 1960 to 2014, split into pre- and post-perestroika figures, to show what kind of problem lay therein during the late 1970s and 1980s. Next will be the GDP per capita of the USSR pre- and post-perestroika, followed by the production of grain to prove the point of stagnation within the agricultural sector, as well as foreign trade imports and exports from 1950 to 1988.

In this study the product is grain, chosen as the USSR had had issues producing enough grain due to agricultural inefficiency, bureaucracy, and other issues that Gorbachev attempted to rein in, but was ultimately forced to import the product from capitalistic countries. Lastly there is the issue of foreign trade regarding imports and exports. The information from these graphs and from the sectors themselves can provide insight into the cause for the need of perestroika, plus possible effects that came thereafter.

Figure 3 Soviet Union GDP pre-perestroika



Source: The Maddison Project Database, 2013 version.

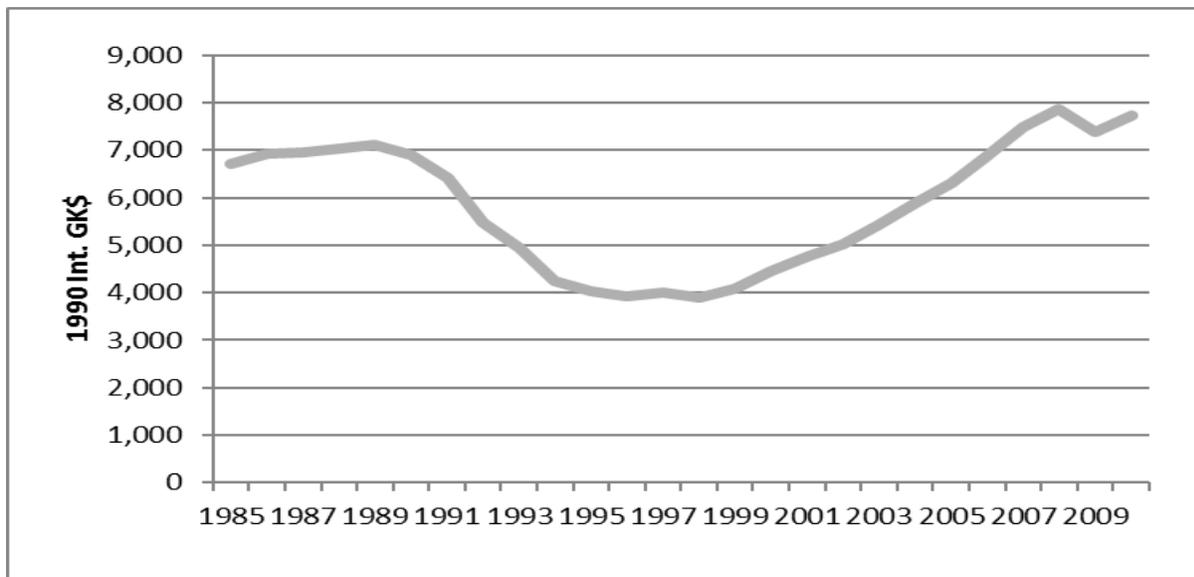
The GDP per capita charts for pre- and post-perestroika (Figures 3 and 4), are important as they show this slice of economic information in the USSR from 1946 until 2009, providing empirical insight into the situation leading up the perestroika era and even after the USSR crumbled. We can see that GDP was growing progressively upwards from 1946 until a certain stagnation around 1976, which persisted until 1986-1987, with the result of perestroika, or the result of the dissolution of the USSR, leading to a plummet around 1989-1990. Between 1989 and 1996 GDP per capita in the USSR dropped by circa 45%. It was only around the year 2000 that it began to pick up again. The 1990s show what a tumultuous time, especially economically in the form of GDP plummeting, came after the dissolution of

the USSR. The bout of stagnation in the late 1970s and the attempts at reforms in the 1980s were an attempt at saving something that was on its way to a very considerable change.

Economic stagnation was a real problem in the USSR during the late 1970s and 1980s. Gorbachev's economic advisor Abel Aganbegyan noted that between 1981-1985 there was virtually no economic growth whatsoever, and the USSR was forced to import such commodities as grain. This coupled with the low quality of products being produced, black market problems especially within the medical sector, monopolization of power both economic and political by Soviet elites, general shortages of food and so on did not lead to any kind of promising future. In 1985, the Soviet GDP per capita was only 36% of that of the United States. Gregory and Stuart explain one reason for this being, among the general shortages and lack of efficiency within the Soviet system, that the Soviets did not favor growth-inducing industries such as heavy industry (Gregory & Stuart, 1995: 41).

Indeed, Aganbegyan even admitted that industrial production had fallen by 40% by the early 1980s. Figure 4 shows the post-dissolution dip in GDP as well, prompted by further economic instabilities in the 1990s.

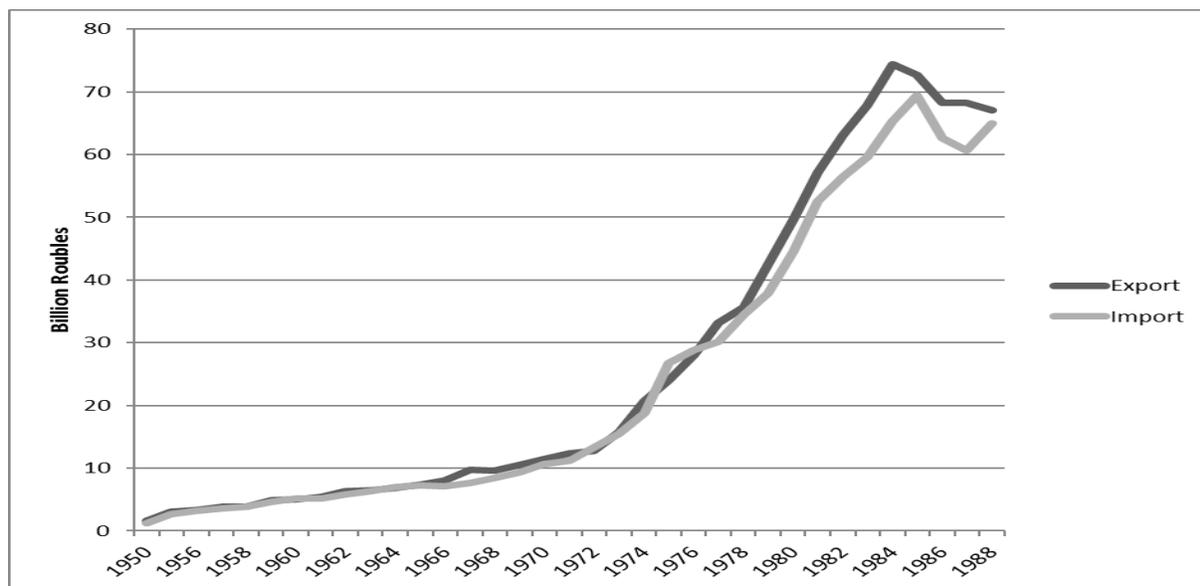
Figure 4 Soviet Union GDP post-perestroika



Source: The Maddison Project Database, 2013 version.

Figure 5 shows how exports and imports lay alongside each other from 1950 onwards, until the early 1980s, when exports fell and imports were still rising. Exports began to fall after 1982, with imports only falling a bit after 1984, and then rising again in 1988 as exports continued to fall. This means that the yearly export decreased by approximately 8% in the period between 1984-1986. This showed the trend towards the dissolution of the USSR; unfortunately, data was not available on the early 1990s from this source. Why would this trend point to a problem?

Figure 5 Soviet Union Foreign Trade (indexing information further in the description)



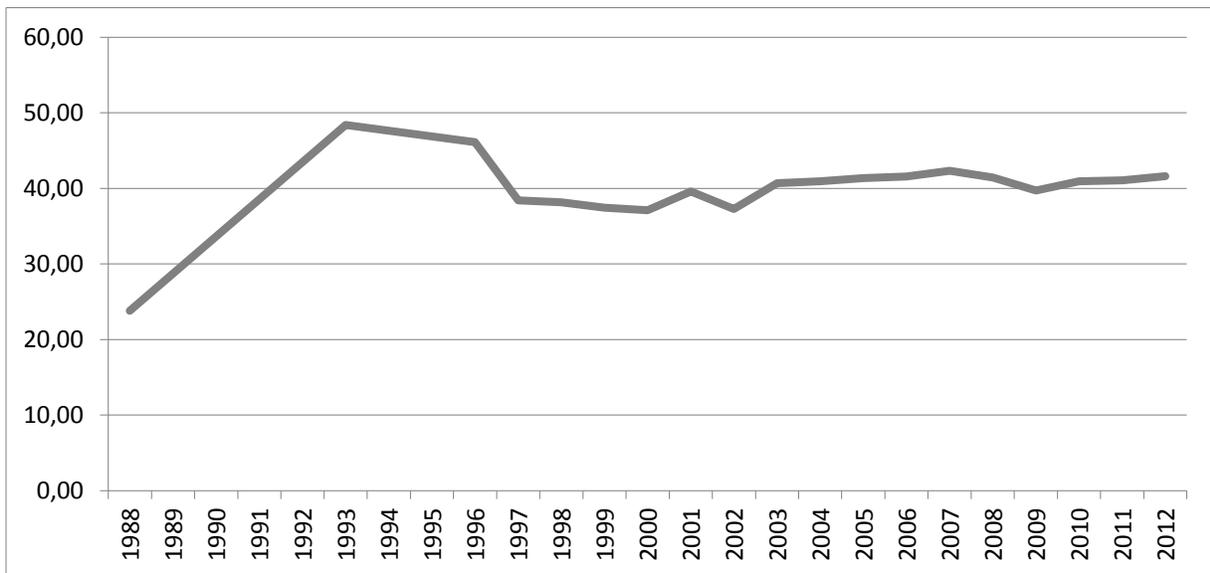
Source: Pockney, B.P. Soviet Statistics Since 1950, 1991: p. 246, table 119. (No information provided regarding current or deflated prices)

The USSR already had an issue with importing extra grain that it couldn't produce itself (Figure 6). Gorbachev imagined that the USSR could be able to allay its fears of economic isolation by way of molding itself to be competitive within the international market, without reliance on other countries for commodities such as grain, and with an even import-export ratio. The USSR was importing 40 million tons of grain per year in the early 1980s, which would certainly impact Figure 9's data (Desai, 1989:8).

An important note is that indexing is incredibly difficult for this graph, as the ruble was a non-convertible currency all throughout the USSR's history. B.P. Pockney mentioned that the values which are shown in the foreign trade tables are those which were created by Soviet foreign trade and banking authorities, with no real ability to compare to another world currency. Indeed, foreign trade in the USSR was largely a monopoly of the state, lacking a currency that could be converted, or market prices. Much of the goods which would have aided in the composition of this graph, in terms of Soviet exports, would have been raw materials, thanks to the inefficiency/inability to effectively manufacture and export manufactured goods (Gregory & Stuart, 1995: 117).

It was hoped that the ruble would achieve convertible currency status by the end of the 20th century, yet during the time in which I examine foreign trade it still isn't possible. Some trade items exported by the USSR were not even included in their own statistics, further creating a fog around any accuracy. It's important to reiterate that while Soviet statistics may point to a certain direction, complete accuracy is simply not possible.

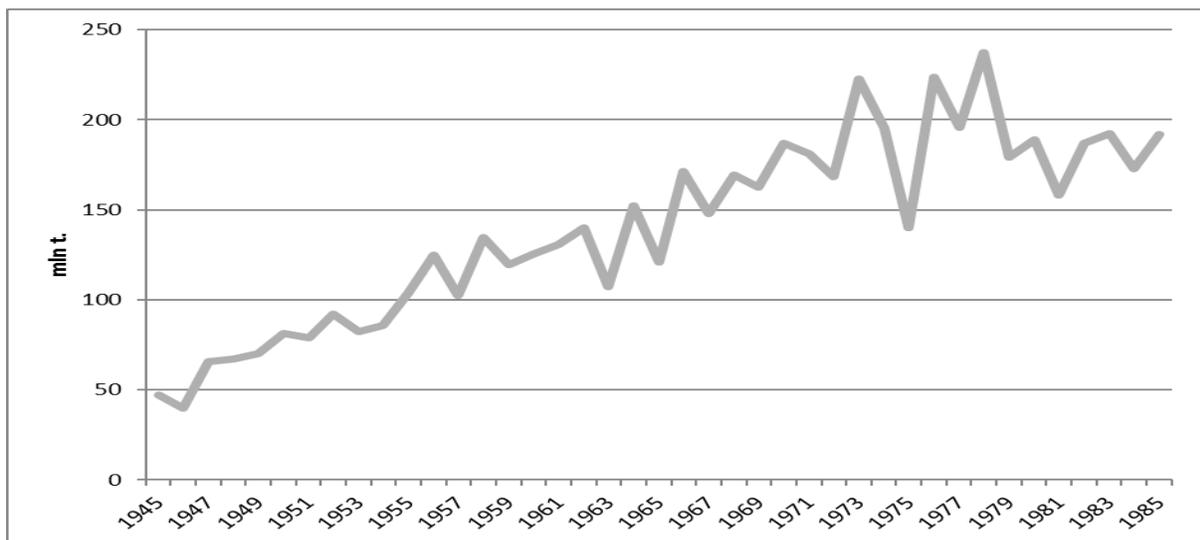
Figure 6 GINI index Russian Federation 1988-2012



Source: Federal Reserve Bank of St. Louis, GINI Index for the Russian Federation.

Figure 6, as a GINI index, shows the levels of income distribution and dispersion of wealth in a given country over a certain amount of time. In 1988 the GINI index tells us that things were more equal than in 1993-1994 and has since levelled. One can correlate the collapse of the USSR with an inequality within the GINI index, and the economic conditions of the 1990s. We can also correlate this GINI inequality index to the dip in life expectancy post-perestroika in Figure 10. Up to 2012, the GINI inequality index has not again reached equality levels from the late 1980s.

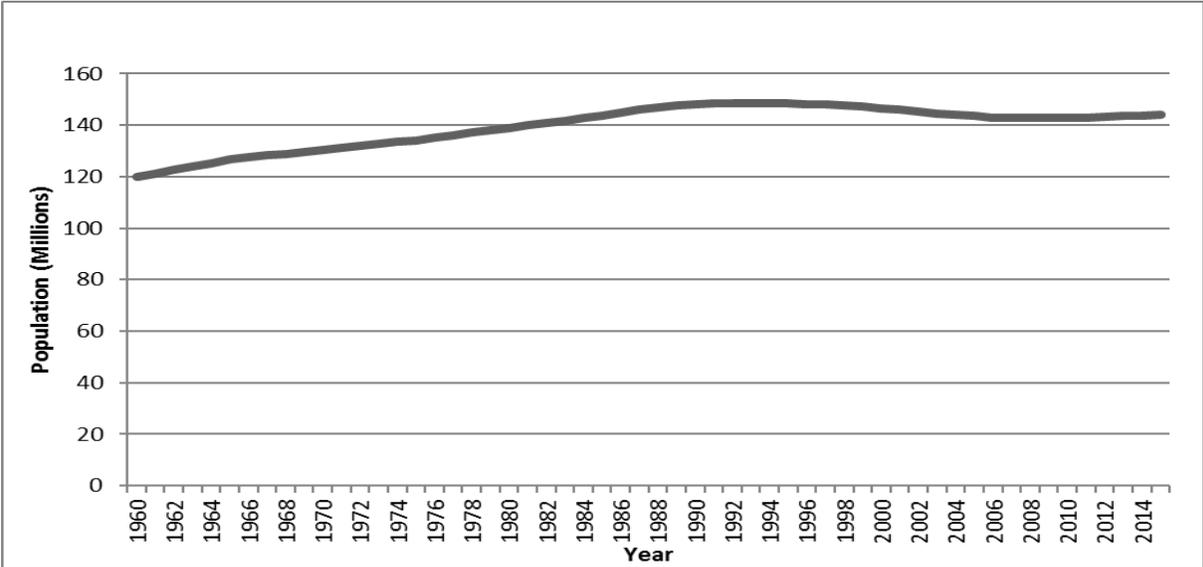
Figure 7 Grain Yield Soviet Union



Source: Pockney, B.P. Soviet Statistics Since 1950, 1991: p. 184, table 81.

Grain yields show what a dip in harvest happened during 1973-1976 with quite notable fluctuations going on until the mid-1980s (Figure 7). The grain situation can be used as a benchmark to point toward why the reforms were necessary. We can see that between the years 1974-1984 life expectancy sinks a bit until it does indeed begin to rise once again afterwards (Figure 8). The same thing happens to grain, when it begins to rise slightly in 1984-1985. This could point to a valuable correlation of malnourishment in conjunction with life expectancy, in addition to the unhappiness of the USSR over the fact that it was importing grain, 40 million tons annually, thanks to the inefficiency of the machinery, roads, fertilizers, and other pitfalls of the agricultural system.

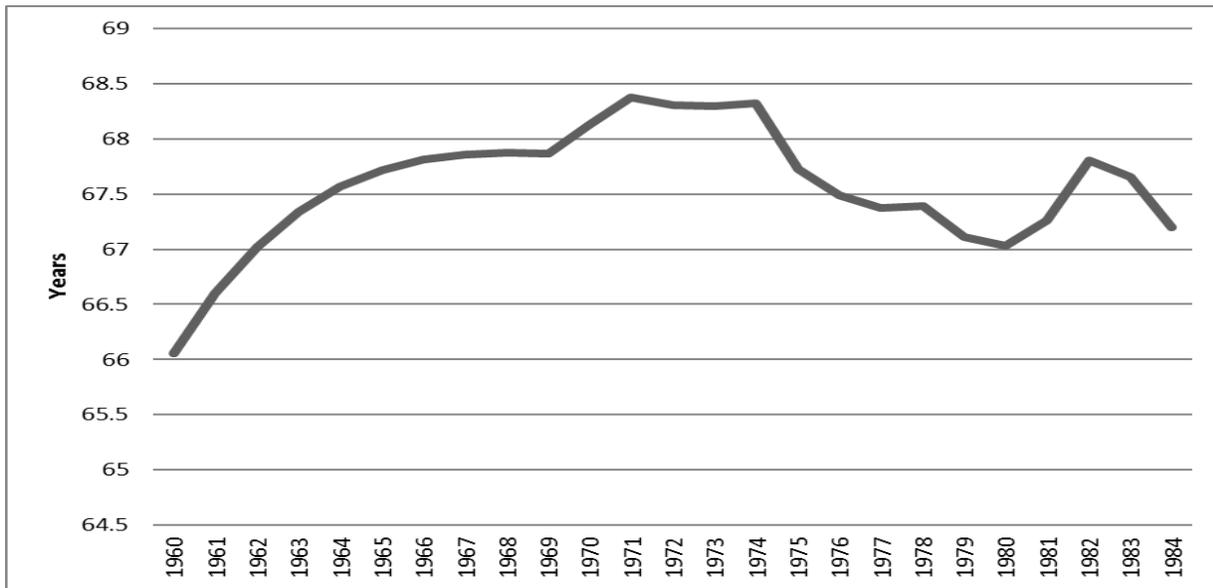
Figure 8 Population Russian Federation, indexed



Source: The World Bank, Population of the Russian Federation (1960-2014)

The life expectancy charts, pre- and post-perestroika in Figures 9 and Figure 10 show the projected life span at birth of someone born from 1960 to 2014. It shows this aspect of living standards from the pre-perestroika era, the perestroika era itself, the 1990s Wild East era, and the 2000s. Life expectancy declines by the 1990s, having been nearly 70 in 1988 and dropping to a little over 64 in 1994, a decline of 7,2%. Interesting also is to see further see what a dive the life expectancy in the Soviet Union took after the dissolution of the USSR, not least the small dive in the early 1980s, something which may have prompted the policies of perestroika, such as the alcohol policy that we look at only briefly, intended mainly to improve work performance and living standards.

Figure 9 Life expectancy at birth pre-perestroika

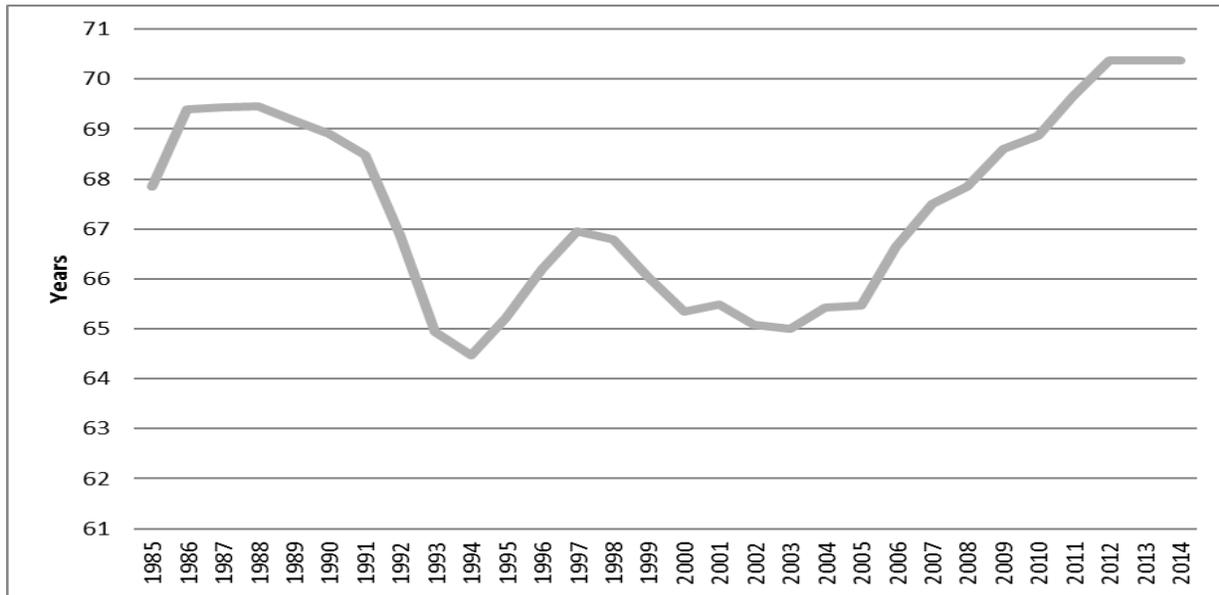


Source: The World Bank, Life Expectancy at Birth, Total (Years) Data

This also ties in to Gorbachev's 1985 plan to attack alcoholism and other social ills via perestroika's "human factor". There were problems with hygiene in hospitals, dangerous working conditions (especially in factories with lax regulations on toxic chemicals, resulting in birth defects), dangerous and old machinery, and shortages in food (Mandel, 1989: 12-14). The note of population is important when looking at GDP and the life expectancy before, during, and after the perestroika era, which will follow shortly in the next few graphs. It's important to note that while the life expectancy dips quite dramatically post-dissolution, the actual population does not. The "Hobbesian" swamp of the 1990s, coupled with economic and social chaos saw the impact of regime collapse in life expectancy. In 2005, men could expect to live to 59 years of age, and women 72 (Brancato, 2009: 188).

In 1990, a Russian man could expect to live 12 years fewer than an American counterpart, at 60 years compared to an Americans' 72. There was an excess of deaths compared to births in 1993, with 800,000 people having died during this year. Issues such as high rates of abortion, alcoholism, infant mortality, pollution, and heavy smoking all contributed to this (Gregory & Stuart, 1995: 120).

Figure 10 Life expectancy at birth post-perestroika



Source: The World Bank, Life Expectancy at Birth, Total (Years) Data

9 Conclusion

We have looked at four specific reforms of perestroika and their roots. Reforms within agriculture, cooperatives, management within the workplace and even joint ventures attempted to open the USSR to optimistic changes, even if one could conclude that the problems the USSR faced in regards to bureaucracy within management was replaced by more bureaucracy and a centralist system that replaced itself with yet another similar animal. The way perestroika was set up made it seem possible for the average citizen to attain more leeway politically, to have more of a say in how things were managed, to revive some value in their work and on an individual level.

To give value to the individual under the guise of improving the system was a motivation that the elites believed would yield favorable. To improve working conditions, reduce limitations on ventures from abroad, cut away bureaucratic rope regarding the ownership of businesses and their internal administration, and rethink the agro-industrial sector were all ways in which to improve the USSR's reputation from abroad with such domestic issues first and foremost.

We can see that the reforms were the child of economic issues in the USSR and the dip in income and lagging growth percentage of said income in Figures 1 and 2. My aim was to examine the internal situation in relation to perestroika, answer for the reforms and why they were created and put to work, both ideological and economically: this was intended to explain the factors behind the most important four; those which had a stake in domestic affairs, which were afterwards intended to translate over to an improved international reputation for the USSR.

The GDP per capita of the USSR, Figures 3 and 4, were shown to only increase until its major decline beginning in the early 1970s, whose continuation prompted Gorbachev to implement perestroika. This GDP per capita sinks dramatically in 1988 and continues to wallow and sink until 2000.

This can point to the effect of the USSR breaking up, not solely the fault of perestroika's reforms failing. In any case, the dissolution and the factors that led up to it had a quite clear impact on the economic situation of the USSR and the newly created Russian Federation in the 1990s.

Figure 5, regarding foreign trade, shows us that indeed, the USSR's foreign trade dipped after a quite consistent rise from the early 1970s and onwards. Interestingly, imports fell as well in 1985, only to rise again in 1988, while exports during the same year continued to decrease. This falls in line with the lagging industrial and agricultural sectors of the 1980s. Figure 6, the GINI index for the Russian Federation, displays a growing trend of income and wealth inequality, which continued to increase until it flatlined around 1997 until 2012; as stated below Figure 6, equality levels in terms of wealth distribution have not since reached levels of pre-dissolution Russia.

Figure 7, on the USSR's grain yield, makes it possible to correlate its information with life expectancy and GDP, as well as foreign trade (Figure 5). These graphs are together intended to show not only effects of perestroika and the 1980s in the USSR, but to provide an adequate insight into what followed in the 1990s. It's possible to see how things unfortunately sink with the dissolution, leading into economic disaster into the 1990s, which includes life expectancy in conjunction with GDP per capita, both sinking considerably. The grain yield itself, having sunk most dramatically in 1975, fluctuates in the 1980s after sinking post-1977, pointing to the troubled agricultural trend.

Figure 8, looking at population, makes it possible to note the correlation between life expectancy in the former USSR from 1960-2010 and a possible connection between this, the perestroika years, and the dissolution of the USSR and the 1990's Wild East era. One can notice that life expectancy sunk quite drastically after 1990, after the admitted failure of perestroika to act as the adhesive which would keep the USSR intact and in the best scenario, healthy and functioning on a domestic and international level. The dissolution of the USSR and ensuing economic chaos, both on a national and a personal level for Russians, didn't contribute to any good results regarding the life expectancy of the country; quite the opposite.

In Figure 9, life expectancy from birth in the USSR in 1960 increases slightly, and remains stagnant until the early 1980s, perhaps a result of economic issues at the time, and burgeoning social issues involving alcohol. If one looks at the population chart, it is worth noting that there is no real strange change or dip in the population itself, but only in life expectancy. This points to there being a real problem within in the country's social situation, some of which were heartily addressed within the perestroika reforms. Figure 10 points to the dip post-perestroika in life expectancy, from slightly over 69 years in 1985 to just above 64 years in 1994.

We can conclude is that perestroika did not achieve what it intended to do. This can be seen even despite the shaky validity of Soviet statistics. Perestroika tried for a last-ditch effort in a final decade of economic and social trouble, a shot in the dark attempt to salvage the USSR's position domestically and internationally. Things only really got worse. Despite this attempt at restructuring, at re-evaluating and reshaping socialism, perestroika left only a legacy of the final decade of the USSR, one of its main points, one of its last efforts, its spirited death knell of promise.

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