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Mikhail Gorbachev's Agricultural Reforms and the Politics of Perestroika

Why did the Soviet Union's economy collapse in the late 1980s? The system that Stalin forged through collectivization and shock-industrialization had many faults. It abused workers, wasted resources on a massive scale, and was chronically unable to provide decent consumer goods. Yet for half a century it had one key virtue: stability. When Mikhail Gorbachev came to power in 1985, the Soviet economy functioned adequately. Almost no one, either in the USSR or in the West, expected drastic change. When the Soviet system came crashing down a mere six years later, under a mountain of inflated rubles and unpaid debts, almost everyone was surprised. How did this happen?

That question is especially perplexing because so many countries with communist economies transitioned to capitalism with far less pain. China presents the most obvious dilemma for understanding the Soviet collapse. Several years before Gorbachev came to power, Chinese leader Deng Xiaoping began casting off Marxist-Leninist economics and privatizing much of China's economy. Many analysts blame Gorbachev for not following China's example, suggesting that if he had, the Soviet Union might not have suffered such a terrible economic collapse.

In the conventional wisdom, there are two main ways that China's reforms differed from the Soviet Union's: they were gradual rather than rapid, and they only liberalized the economy, keeping a tight grip on politics. Today, the authoritarian right argues that Chinese policy was more orderly and effective than in the USSR, because Beijing dispensed with democracy even as Soviet leaders had to contend with new the political competition created by Gorbachev's democratization. The left, meanwhile, argues that, unlike China, the Soviet Union abandoned central planning too rapidly, at great cost to social cohesion. Both arguments are flawed. In fact, my research shows, Gorbachev copied China extensively. His reforms failed because he was held back by interest groups—collective farms, heavy industries, and the Red Army—that stood to lose from reform. The main difference between Deng's China and Gorbachev's USSR was not in the quality of the leaders' economic ideas, but in the structure of their political systems. Had Gorbachev been as powerful as Deng, his reforms may well have succeeded.

I reached this conclusion after research in Soviet archives in Moscow, where I examined many papers that have never before been used by scholars studying the Soviet economy. The archival revolution that has transformed studies of Soviet foreign policy has left the economic history of the Soviet economic collapse entirely untouched. For example, nearly all existing accounts of the USSR's demise discuss economic policy without any reference to papers from the Soviet Politburo, the USSR's main policymaking body. Imagine a history of American public policymaking that did not check for records at the White House. By contrast, I was able to access papers from the Politburo, the Council of Ministers, the state bank, economic research institutes, and from Gorbachev and his top aides. This array of sources on Soviet economics and politics during the 1980s sheds light on long-standing debates about perestroika. More importantly, these new documents let my research assess what, if anything, Soviet policymakers might have done to stave off the collapse.

One important case study is agricultural policy. Gorbachev is often criticized for ignoring agriculture in his reforms. In fact, the research I conducted shows that Gorbachev was an agriculture expert and sought to implement Chinese-style reforms to give individual households control over farm land. Gorbachev argued that China's experience showed that private ownership improves agricultural productivity. Nonetheless, political conflict constrained Gorbachev's ability to adopt agriculture reforms in the USSR. The agro-industrial lobby, which was represented by provincial leaders and by top Politburo officials in Moscow, stubbornly opposed decollectivizing farmland and cutting subsidies. Decollectivization would have benefitted farmers, but reforms threatened farm managers and the fertilizer and tractor industries. By 1991, Gorbachev finally succeeded in pushing through structural reforms, though opposition had managed to stall reform for five years and demanded higher subsidies that left a massive hole in the Kremlin's budget.

The debate over agricultural reform—and the ability of entrenched interest groups to stall reforms—sheds light on why the USSR tumbled into a terrible economic depression? In his first years in power, Gorbachev sought to buy support by increasing funding in politically popular areas. Yet Gorbachev's weakness vis-à-vis entrenched interests meant that after he opened the money spigot, he was never able to turn it off. The Kremlin ran up a huge budget deficit, which was funded by printing new rubles. As this wave of money surged through the Soviet economy, the planning mechanism ground to a halt, shortages multiplied, and the central government's

authority dissipated. The inflationary surge that doomed the Soviet economy was caused above all by politics. Gorbachev's weak political position meant that he could not enact market reforms without buying off the opposition with subsidies. It was political conflict—and Gorbachev's weakness relative to powerful interest groups—that explains much of the divergence between China and the USSR. If Gorbachev had been stronger, he might have been able to force a solution to the inflation crisis. Had he succeeded in democratizing the Soviet Union at an earlier date, he might have outmaneuvered these regressive interest groups and implemented the reforms that he desired.

China is important not only as a source of inspiration for Gorbachev's reforms. It is also the lens through which most people today interpret the USSR's collapse. The massacres on Tiananmen Square in June, 1989—which Gorbachev's visit to Beijing only a month before had helped stir up—are widely seen as the counterpoint to Gorbachev's reforms. China's crackdown was followed by decades of rapid growth, while Gorbachev's rapidly democratizing Soviet Union collapsed into a deep recession. The argument that Gorbachev should have focused on economics rather than politics is embraced today by Chinese and Russian leaders, but it is also accepted by many in the West, too. I argue that this post-Tiananmen gloss on Soviet history is inaccurate. It is at odds with the evidence from Soviet archives. Economic reform failed in the Soviet Union not because it was coupled with too much political change, but because Gorbachev was too weak to get his way. That was particularly clear when he tried to cut spending on favored groups such as farms—the USSR had the largest farm subsidy program in human history—and the military, which consumed a fifth of Soviet production. Cuts to these regressive interest groups were the only way the USSR could have balanced its budget, reduced inflation, and staved off collapse. Gorbachev embraced democratization a means of reducing the power of the military and other lobby groups, but it did not happen soon enough to let him stabilize the Soviet economy.

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