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BOOK REVIEW

What Went Wrong With Perestroika By Marshall I. Goldman. New York: W. W. Norton & Co., 1991. Pp. 238.

*John T. Shaw**

There is no shortage of intriguing issues for political analysts to ponder as they attempt to understand the tumultuous years during which Mikhail Gorbachev governed the Soviet Union and then presided over its disintegration.

Soviet withdrawal from Eastern Europe and the rapid, astonishing unraveling of the vast multinational empire are among the most significant events of the twentieth century, and Mikhail Gorbachev, the architect and victim of reform, is likely to endure in the public mind as the prototypical tragic figure: a talented, complex, compelling man who was devoured by a revolution he began.

Fundamental questions about the Gorbachev era abound. Was there ever a chance that the Soviet Union Gorbachev inherited in 1985 could be reformed? If reform was possible, did Gorbachev fail because his vision was flawed or because he made tactical errors? When was his best opportunity to present and implement a coherent program? Did political and economic reform need to occur simultaneously? If not, should economic reform have preceded political reform? Was there any model Gorbachev could have looked to as he tried to change his country? What broader lessons about governance and reform can be learned from events in the Soviet Union?

What Went Wrong with Perestroika by Marshall Goldman, associate director of the Russian Research Center of Harvard University and Class of 1919 Professor of Economics at Wellesley College, is an ambitious attempt to consider the problems Gorbachev faced and the policies he crafted to change his nation. It was completed in the spring of 1991 and a prologue and afterword were added following the attempted coup in

* Journalist, Market News Service, Washington, DC.

August of 1991. The book was published prior to the resignation of Gorbachev and the formal dissolution of the USSR.

The book's main focus is Gorbachev's economic policies from 1985 through mid-1991. Although events have continued to unfold rapidly, Goldman's work is a valuable tool for considering the problems that ravaged the Soviet economy and continue to make the future of nations of the Commonwealth of Independent States highly uncertain.

What Went Wrong with Perestroika sets out to be a "coroner's report", an "economic and political autopsy of perestroika."¹ For Goldman the key question is: "Why did such a noble effort fail?"²

Goldman's main argument is that Gorbachev inherited a stagnant economy that had languished under seventy dreary years of Communist mismanagement—and then proceeded to make it worse by, first, avoiding fundamental change and then embracing a host of ill-conceived plans that were later either scuttled or substantially revised and then forgotten. The result, according to Goldman, was an incoherent economic policy that accelerated disintegration of the empire.

He writes, "Gorbachev aroused the population with his call for a complete overhaul of Soviet society—but in the economic realm at least, complete overhaul turned out for the most part to be not much more than a minor lubrication job. By the time he was well enough aware of the ineffectiveness of his original approach, the damage had already been done. Gorbachev's failure to embark on a truly radical course cost him his credibility. He had nothing to show."³

According to Goldman, when Gorbachev came to power in 1985 he had serious concerns about the lack of vitality in the Soviet economy and felt better planning, a stronger work ethic and more discipline were needed. He crafted an economic plan that reorganized state planning by creating superministries and sought to revitalize heavy industry, especially the machine tools sector.

Goldman asserts Gorbachev realized after eighteen months that tinkering at the margins was not sufficient and the Soviet economy needed to be restructured (perestroika) and made more politically open (glasnost).

Meanwhile, the Soviet Union entered into what Goldman refers to as a supply-side depression, which he says was "unique and probably the first of its kind in economic history."⁴

¹ MARSHALL I. GOLDMAN, *WHAT WENT WRONG WITH PERESTROIKA* 30 (1991).

² *Id.*

³ *Id.* at 96.

⁴ *Id.* at 29.

Goldman contends that whereas virtually all of the world's depressions have been brought on by inadequate demand, the depression in the Soviet Union was created by inadequate supply. As the result of the complex interaction of a half-reformed planning process, surging inflation, and the presence of some private and cooperative shops that took goods out of the mainstream economy, Soviet consumers were unable to find items to purchase.

Goldman believes Gorbachev should have steered the Soviet Union toward a reform program similar to that adopted by China which cut its state sector and embraced some free market principles.

"In retrospect," he writes, "Soviet reformers should have looked more to the economic reforms going on in China. Of all countries that have attempted to work their way out from the morass of the Stalinist-type economic model, China has made the greatest progress and achieved the greatest economic growth. With economic growth close to 9 or 10 percent a year, almost equal to the record set by its East Asian neighbors, China's growth was real and not a statistical sleight of hand. There were measurable and objective improvements in the standard of living of most peasants. The monopoly of the state in agriculture, commerce and industry was broken."⁵

Although clearly not the final word on the Gorbachev era, *What Went Wrong with Perestroika* is successful in several important respects.

Goldman demonstrates the importance of economic issues in undermining Gorbachev's credibility within the Soviet Union. For most Western observers transfixed by Gorbachev's creative statecraft, the severity of his nation's economic problems was not fully realized until the last year of his tenure. As Goldman shows, the dismal state of the Soviet economy eroded Gorbachev's strength and limited his policy options. Gorbachev inherited an economic mess but made things worse by his incoherent and constantly changing economic policies. The most persuasive part of the book details the revolving door of economic advisors who served Gorbachev. Abel Aganbegyan, Leonid Abalkin, Nikolai Petrakov, Gregory Yavlinsky and Stanislav Shatalin were all brought in at various times by Gorbachev for economic advice; each was called on to draft comprehensive programs that were inevitably studied, revised, discussed, merged with other plans, and then discarded.

"An inevitable result of Gorbachev's flip-flopping," Goldman writes, "was what the Soviet Union had neither an effective market nor a planning system. Just as he had his doubts about central planning, he

⁵ *Id.* at 59.

was uncertain about too much reliance on the market and private ownership.”⁶

The practical consequences of this disarray is nicely illustrated by a description of McDonald’s efforts in 1990 and 1991 to open twenty of its stores as the economy was collapsing, inflation soaring, the value of the ruble jumping from day to day, and an obdurate bureaucracy creating obstacles at every turn.

Commerce in the midst of chaos is not easy and McDonald’s resorted to creating a mini-economy to ensure timely delivery of supplies and other necessities for business survival. The McDonald’s profile provides a revealing glimpse of the Soviet Union at its most irrational with long lines, rules limiting purchases, and soaring prices that resulted in a Big Mac costing the equivalent of an average worker’s daily wage.

What Went Wrong with Perestroika has some significant weaknesses that require mention.

First, Goldman offers a wooden and superficial portrait of the main architect of perestroika—Mikhail Gorbachev—and has little to say of his key associate, Eduard Schevardnadze.

The book is not a Gorbachev biography but still a discussion of perestroika should include a serious assessment of the man who gave it life: his strengths and weaknesses, and his philosophical moorings. Remarkably, Goldman’s brief attempt to describe Gorbachev draws heavily from an essay written by journalist Gail Sheehy⁷ which is widely dismissed as being replete with factual errors and tortured, dubious Freudian analysis.⁸

Goldman depicts Gorbachev as little more than a bungler who did not understand economics; he makes only passing references to his international accomplishments. Given the economic focus of the book it is fair to stress Gorbachev’s economic failures, but balance requires a fuller portrait.⁹

Second, Goldman is relentlessly critical of Gorbachev but at times

⁶ *Id.* at 143.

⁷ *Id.* at 241.

⁸ Gail Sheehy’s essay, “The Man Who Changed the World” appeared in *Vanity Fair* in February, 1990. The essay was expanded into a book entitled, “The Man Who Changed the World”, published by Harper Collins in Dec. 1990. Several reviews were sharply critical of the book for factual errors and the author’s unpersuasive use of Freudian analysis to describe Gorbachev. See the following Reviews: *Wall Street Journal*, December 24, 1990; *New York Times*, Book Review, Dec. 16, 1990; *New York Review of Books*, Apr. 11, 1991; and *New Republic*, Feb. 27, 1991.

⁹ More balanced assessments of Mikhail Gorbachev include: Robert Kaiser, *Gorbachev: Triumph and Failure*, 70.2 *FOREIGN AFF.* 160 (Spring 1991); Seweryn Bialer, *The Death of Soviet Communism*, 70.5 *FOREIGN AFF.* 166 (Winter 1991-1992).

the criticisms are as scattered and incoherent as the policies he purports to describe.

For example, Goldman says Gorbachev failed because he did not immediately advance a wide-ranging reform plan upon assuming power in 1985 and hence squandered an opportunity. However, in other sections of the book he argues Gorbachev did not initially have enough information to fully appreciate how bad things were and, in any case, his reform efforts were doomed because there was no substantial support for fundamental change by the Soviet people.

Goldman is also hard to pin down on the intriguing issue of whether Gorbachev failed because he simultaneously advanced political and economic reforms. Goldman takes both sides of the issue.

At first, he argues there was a clear and logical link between the two and suggests the only way for Gorbachev to get broad support for economic reform was to make clear the bankruptcy of the current system through greater openness. But later he reverses himself, writing, "The simultaneous introduction of the economic reforms associated with perestroika and the political reforms referred to as glasnost all but guaranteed chaos would follow. . . .As early as 1987 it was apparent that combining perestroika and glasnost was like mixing sulfuric acid and water—it would set off sparks."¹⁰

In the end, Goldman leaves the reader confused as to whether he is suggesting one of the reforms should have preceded the other and, if so, which should have gone first.

Third, Goldman's use of historical analogies to describe Gorbachev's behavior are neither illuminating nor persuasive.

For example, he compares Gorbachev's reported acquiescence in the military crackdown in Lithuania in 1990 and 1991 to the Chinese massacre at Tiananmen Square, Joseph Stalin's incorporation of the Baltic States in 1941, Nikita Khrushchev's invasion of Hungary in 1956 and Leonid Brezhnev's suppression of Czechoslovakia in 1968. In fact, Gorbachev's precise role in this crackdown is still not clear. Moreover, the situation in Lithuania, however unfortunate, was simply not of the same scale as the other incidents. The analogy is foolish.

Finally, *What Went Wrong With Perestroika* shows little sensitivity to Gorbachev's acute political problems. Goldman's suggestion that Gorbachev could and should have moved immediately to fundamentally change the nation's political and economic system is naive. A product of the Soviet system, a lifelong communist who rose through the ranks by

¹⁰ GOLDMAN, *supra* note 1, at 124-25.

hard work and careful cultivation of mentors, Gorbachev could hardly be expected to discard his past immediately.

In retrospect, it seems clear that after Gorbachev solidified his power and took stock of the Soviet economic mess, he should have moved directly behind a coherent program along the lines of that proposed by Shatalin.

It is not clear, however, who would have supported him during the difficult transition. Hard-line conservatives, including the military and KGB, would surely have opposed (and perhaps deposed) him for pushing too much reform and the fledgling free-market/democratic camp was too weak to be of much help. Goldman pays scant attention to Gorbachev's almost impossible political bind.

Goldman also pays little attention to the enormous national and ethnic pressures building in the republics whose increasingly insistent calls for sovereignty had little to do with economics and everything to do with politics and history. It is doubtful the most coherent economic plan would have been unable to hold back forces that had been mounting for seventy years.

Even with these weaknesses, *What Went Wrong With Perestroika* is an important book that considers many of the key questions surrounding the Gorbachev era. It also provides a valuable context to understand the daunting problems now confronting the nations of the Commonwealth of Independent States.