

## CHAPTER- VI

### CAUSES OF DISINTEGRATION OF THE USSR

August 19-21, 1991 marked the end of communist rule and the dissolution of the Union of Soviet Socialist Republic into sovereign national states. In April, 1991, President Gorbachev initiated what has been termed as the NOVO OGAREVO process in which he sought to persuade the republics to come together in a union under new Union Treaty<sup>1</sup>. Many of the Republics agreed to sign the new union Treaty on August 20, 1991. But this move was pre-empted by an attempted coup by a group of political leaders on August 19 of the same year. These August developments have been earmarked as a turning point in the history of Russia. The coup fizzled out within seventy-two hours and Mr. Gorbachev who had been placed under preventive custody returned to Moscow in his capacity as the President of the Soviet Union. President Yeltsin of the Russian Federation displaying courage and qualities of leadership played a crucial role in bringing about the collapse of the coup. The restoration of constitutional order following the abortive coup marked the victory of democratization process.

A number of western scholars made different comments on the August coup. Anatole Shub<sup>2</sup> designated this coup as the Fourth Russian Revolution. He said, "The drama of August 1991 marked a significant climax of the fourth Russian revolution of this century... " other three revolutions, he mentioned, revolution of 1905 which gave Russia a semi-constitutional regime including an elected parliament, the state Duma; revolution of February 1917 which overthrew tsarism and briefly made Russia "the freest country of the world "; and Lenin-Trotsky coup of October 25, 1917 -which was officially labelled as the Great October Socialist Revolution. Anders Aslund<sup>3</sup> is of the opinion that the Soviet Union changed fundamentally after the abortive coup of August 1991. He indicated three changes in the Soviet Union. First, with the coup, communism died both as an ideology and as a party, but communist prejudices, ignorance, administrative patterns, and other practices persisted. Second, the Union was utterly discredited. Leaders of the government, the CPSU, the military, and the KGB participated in the coup. Third, the coup was defeated by the democratic forces, but the society remained so undeveloped that this victory of the democratic forces

would not have any lasting influence. William E. Odom<sup>4</sup>, Director of National Security Studies, Washington DC, considered the August coup "as momentous for Russian history as the February Revolution in Petrograde in 1917 or General Lavr Kornilov's abortive coup in August of the same year." He also maintained that the coup seemed to mark the end of an imperial regime and signal a new opportunity for liberal democracy to develop. Mark R. Beissinger<sup>5</sup> wrote about coup, "The August coup must be understood primarily as a nationalities crisis - indeed, the final nationalities crisis of a decaying and exhausted political order". Sharat G. Lin<sup>6</sup> said that the former Soviet Union had disintegrated not only as a superpower but as a nations. And the most important opinion that he placed was, that with the disintegration of Soviet power, deterrence and the global power balance are gone.

One month before the August coup, Indian economy was redesigned with some unprecedented changes. The government of India announced a new industrial policy on the floor of the parliament on July 24, 1991. It marked a sharp departure from the earlier policy drawn within the framework of the Industrial Policy Resolution, 1956. According to Jagdish Bhagwati<sup>7</sup>, the process of liberalisation began in the mid-seventies has got fillip with the announcement of the New Industrial Policy in 1991. And it entered a new phase of what has been described as "reform by storm" that supplants "reform by stealth" of the last of the 1970s, and "reform with reluctance" during the second half of the 1980s. The change that occurred in erstwhile USSR has a direct impact on the Indian economy, as historically both the countries are economically interdependent; specially when Indian economy has been reshaped.

### **Theoretical Framework of Soviet Economy:**

From the point of view of Marx's fundamental materialist categories, Soviet economy can be characterised by four approaches, viz., socialism transitional, economy between capitalism and socialism, economy neither socialist nor capitalist and capitalist economy<sup>8</sup>. From the beginning of the middle of 1930s, right upto the dissolution of the Soviet system, the economy of the USSR was presented by its spokesmen as socialist. It was also claimed that the corresponding society was the realisation of the 'first phase of Communism' in the sense of Marx. The main characteristics of socialism, claimed, are public or state ownership of the means of production, centralised control, planned economy, distribution of consumer goods through exchange against different wages. Mr. Paresh

Chattopadhyay<sup>9</sup> mentioned the name of some writers, viz., B. Rizzi, M. Shachtman, M. Djilas who considered Soviet Union as a "transitional society between capitalism and socialism". This "transitional society" thesis was originally elaborated by Trotsky. Later on E. Mandel<sup>10</sup> clarified it. According to him, the USSR could not be accepted as a socialist society given the extreme bureaucratic degeneration. Originally these bureaucrats exploited power by controlling the state which owns the means of production. Again, the Soviet Economy could not be considered as capitalist one, because there was state ownership of the means of production, centralised economic planning and state monopoly of foreign trade together with the suppression of the right to private appropriation. There was neither generalised commodity production nor the sale of labour power as a commodity. From another angle this view is of Non-Socialist -Non-Capitalist (NSNC) school. A series of radical thinkers upholding the NSNC position argued that the Soviet economy was of a new type with a new mode of production.

Capitalist thesis advanced by Ch Bettelheim<sup>11</sup> consists of two distinct phases. According to him, the Soviet economy in the course of the construction of socialism, was transferred into "state capitalism". The workers did not control the means of production, they were simply wage-earners. The industrial as well as agricultural enterprises were administered by the directors appointed by the state authority who command the worker. Under the package of economic plans the employment of means of production was determined by the laws of capital accumulation where the means of production appeared as "collective capital directed by the state bourgeoisie"<sup>12</sup>. Later on, Bettelheim slightly shifted his opinion and designated the Soviet economy as "party capitalism" under a "party bourgeoisie" to distinguish it from "state capitalism" in other countries where the party does not play as central role as in the USSR.

According to Sweezy<sup>13</sup>, there are three characteristics of the economic foundation of capitalism:

- (i) private capitalist ownership of the means of production,
- (ii) competing character of separately existing units of social total capital, and
- (iii) propertyless wage labourers producing bulk of the commodities

In the Soviet type societies, of the three above-mentioned characteristics, according to Sweezy, the first two had been eliminated there while the third was retained "with a significant difference", viz. guaranteed full employment of labourers<sup>14</sup>. There are some other writers like Cliff and Dunayevskaya who believe in capitalist thesis. According to them, there was an absence of competition of capitals in the Soviet Union. Cliff<sup>15</sup> denies the existence of the law of value and hence of competition of capitals in Russia's "state capitalism" on the strength of the abolition of individual private ownership of the means of production and advances the strange logic of this "state capitalism" being still subject to competition only in context of world capitalism. Thereby he ignores Marx's totality-singularity dimension of capital<sup>16</sup>. Dunayevskaya<sup>17</sup>, on the other hand, seems to deny the said competition on the strength of the absence of individual legal titles to property in the means of production and the existence of central planning in Russia. Another scholar Bordiga<sup>18</sup> observed Soviet economy since October revolution; he divides it into two parts: first it is politically socialist, because it is led by the proletariat and economically capitalist, because basically it is anti-feudal.

## **SOVIET ECONOMY**

Mikhail Gorbachev came to power in March, 1985. The economic stagnation that characterised the last years of Leonid Brezhnev's leadership was converted into a serious crisis of the economic decline in the USSR under Gorbachev era. The deteriorating state of the economy was not only the major worry that Gorbachev had to face on coming to power in 1985. American Sovietologist, Marshall Goldman lists a number of other problems that he had to confront, viz., Chernoby which was soon followed by massive earthquakes in Armenia and Central Asia. This was combined with a series of droughts accompanied by excessive heat and premature cold which had a negative impact on the Soviet harvest<sup>19</sup>. Under Gorbachev era, Soviet national income did not fall, it remained stagnant. Of the total labour force, the rate of unemployment was about 4 per cent. Until 1989, inflation was insignificant, the loss of mandays of works was limited to 7.3 million. The Soviet economy was, according to Janos Kornai's words,<sup>20</sup> an economy of shortages. According to All-Union Scientific Research Institute for the study of the Population's Demand for Consumer Goods and Trade Cycles (VNIKS) attached to the USSR Ministry of trade<sup>21</sup>, in 1983, the general availability of basic foodstuffs was 90 per cent and it fell to 22 and

ultimately to 11 per cent in the middle of 1990. About 97 per cent of 1200 basic consumer goods was never available for the sale-counters. Anders Aslund<sup>22</sup> observed that in autumn 1990 virtually no product was available.

This type of shortage in Soviet economy prompted rationing system which increased transaction costs. Shortage has also another consequence, when shortages grow worse, the stocks of inputs soar, while the stocks of finished consumer goods plummet. The ratio of stocks of inputs to stocks of finished goods in Soviet Russia rose from 4.7 in 1985 to 6.2 in 1989.

For a long time, in Soviet Union, a standard black -market exchange rate was five roubles to one dollar. And, suddenly, in 1990, this rate increased to 20-30 roubles to one dollar. On the other hand, the devaluation of the rouble was tracked more officially at the Moscow currency auctions that started in November 1989. The auction rate for dollars doubled in a year. This is shown in Table -I

**Table-I**

*Rouble/Dollar Exchange Prices at Moscow Currency Auctions*

<b>Date</b>	<b>Rouble/US \$</b>
Nov. 3, 1989	9.5
Jan. 17, 1990	10.6
Feb. 21, 1990	12.6
April. 5, 1990	14.1
May. 10, 1990	16.4
June. 22, 1990	21.0
July. 19, 1990	24.3
Agust. 31, 1990	23.2
Oct. 9, 1990	22.6
Nov. 15, 1990	20.9

**Source:** *Economika* (Moscow) various issues; The National Economy of the USSR from 1985 to 1989 in Aslund<sup>23</sup> article.

In urban areas, prices at the private markets rose by less than 1 per cent between 1985 and 1988. But it jumped by 9.5 per cent in 1989 and again it went up by 29 per cent in 1990. This reflects the tacit inflationary pressure that existed at the end of erstwhile USSR, while officially inflation reached only 2 per cent in 1989. The "Izvestiya" maintained that inflation in 1990 was likely to be at least 18 percent<sup>24</sup>. This high rate of suppressed inflation made the people disinterested in working for money, instead, they demanded hard currency or commodities. This may be described as an extension of Gresham's law of good money driving out bad money- in this case, commodities were driving out roubles<sup>25</sup>.

An international inter-agency study of the Soviet economy<sup>26</sup> has contributed significant new information regarding the money supply in the Soviet economy. This can be shown in Table-II.

**Table-II**

***Money and Credit in the Soviet Economy***

(growth during given year in %)

<i>Year</i>	<i>1981-85</i>	<i>1986</i>	<i>1987</i>	<i>1988</i>	<i>1989</i>	<i>1990*</i>
Currency	6.0	6.1	7.8	13.6	19.5	21.5
M2**	7.5	8.5	15.7	14.1	14.8	15.3
of which						
Households	7.2	9.4	9.8	11.3	15.0	13.5
Enterprises	8.7	5.5	32.6	22.5	14.5	20.2
Total credit	8.7	4.2	6.6	11.3	11.2	10.9

\*Estimated

\*\*Cash +demand deposits

**Source:** IMF- IBRD-ORCD-EBRD Report, Dec. 1990. & Ausland<sup>27</sup>

Since 1988, all forms of the money supply have accelerated faster than planned. Credits grew less rapidly than the money supply. The most obvious cause for the expansion of the money supply, however, is that monetary incomes surged beyond control. Table-III indicates that the year 1988 represented an important turning point, as monetary income of the population rose by 30 billion roubles compared to the previous rate of about 10 billion roubles a year. Wages were not increased due to trade union movement or labour productivity. But the management decided to increase the wage rate mainly because of taking advantage of new flexibility afforded by the Law on State Enterprises in 1988, to cope with an overheated labour market.

**Table-III**

*Monetary Income of the Soviet Population, 1985-90 (billions of nominal roubles)*

<i>Year</i>	<i>1985</i>	<i>1986</i>	<i>1987</i>	<i>1988</i>	<i>1989</i>	<i>1990</i>
Total income	419.7	434.8	451.6	493.5	558.0	652
Remuneration*	330.1	339.5	351.5	381.1	430.3	486
Social benefits**	89.6	95.3	100.5	112.5	127.7	166
<i>(annual increase per cent)</i>						
Total income	3.6	3.6	3.9	9.2	13.1	16.9
Remuneration	3.2	2.8	3.4	8.5	12.5	13.5
Social benefits	5.2	6.4	5.5	11.9	13.0	20.0

@Because of rounding, total income sometimes differs from the sum of remuneration and social benefits,

\* Includes salaries and wages from the state and co-operative sectors as well as private sales of agricultural product to the state and co-operative sector.

\*\* Primarily pensions, but also other large flows

**Source:** same as Table-II.

The cost-push inflation caused by rising wages was a major element in the crisis of pre-coup Russia. Since 1985, social benefits grew faster than wage increase. In 1990 it

suddenly jumped to 20 per cent. It was because, the newly elected Supreme Soviet in 1989 introduced some popular devices by increasing social benefits, e.g. pensions.

Shortages imply that people receive more money than they can spend. Table-IV shows that supply of goods and services would not be matched with the increasing demand of the population by their increasing monetary income.

**Table-IV**

***Monetary Expenditures and Savings of the Soviet Population (1985-1990)***

(billions of nominal roubles)

<i>Year</i>	<i>1985</i>	<i>1986</i>	<i>1987</i>	<i>1988</i>	<i>1989</i>	<i>1990*</i>
Total purchases**	347.3	356.9	367.8	394.4	431.7	49.3
Direct taxes and social fees	48.0	49.9	51.7	57.3	64.5	71
Savings***	24.3	28.0	32.0	42.9	61.8	75
of which						
Bank deposits	20.1	23.9	26.1	32.7	45.2	53
Residue****	4.2	4.1	5.9	9.2	16.1	22
(expenditures and savings as perfect shares of total monetary income) &						
Total purchases	87.2	82.1	81.4	79.9	77.4	77.1
Direct taxes and social fees	11.4	11.5	11.4	11.6	11.6	11.2
Savings	5.8	6.4	7.1	8.5	11.1	11.7

\*Estimated

\*\* Purchases of commodities and services from the state and co-operative sectors

\*\*\* Calculated as a residue: total monetary income minus purchases, direct taxes, and social fees.

Includes also state sales of bonds and securities.

\*\*\*\* Excess of monetary incomes over expenditures and savings , which should equal increases in the holding of cash.

& Because of rounding, figures do not always add up to 100 per cent

**Source:** Same as Table -III

One involuntary tendency in saving rate is seen in Table-IV. In 1985, the saving rate of households was 5.8 per cent and this was increased involuntarily to 12 per cent in 1990; and the involuntary portion <sup>28</sup> was due to imbalance and represented as excess demand. What more dangerous trend was that the people wanted to hold the involuntary savings in liquid form which could have aggravated the problem of "Hot Money", i.e. excess demand. In June, 1990, total bank deposits actually declined , inspite of increasing interest rate to 4 percent. The reform programme of the Gorbachev era gave a type of liberty to the enterprise in 1988, since then the leakage of enterprise funds has added a couple of percentage points to the volume of currency each year. This is shown in Table - V.

**Table - V**

**INCREASE IN CURRENCY IN THE USSR, 1985-90**

(billion of nominal roubles)

<i>Year</i>	<i>Annual increase</i>	<i>Overflow from enterprise accounts*</i>
1985	4.1	-0.1
1986	3.9	-0.2
1987	5.9	0.0
1988	11.8	2.6
1989	18.4	1.8
1990	28.0	3.0

\* The overflow from enterprise accounts is a highly tentative calculation.

**Source :** Same as Table - III

At the end of 1989, enterprise funds of "account money" comprised 114.4 billion roubles. As there was no allocation orders, enterprises were not in a position to use this fund from back accounts for any ordinary purchases. Naturally, this was converted into hot surplus money of little value for enterprises<sup>29</sup>. By autumn, 1990, there was a firmly established market exchange rate between enterprise account money and cash, amounting to 0.30 rouble in cash for one account rouble.<sup>30</sup> Anders<sup>31</sup> also calculated "rouble overhang" on the basis of the quantity theory of money from the share of liquid assets in total household income. If it was assumed that the share had remained constant since the 1970's, when the rouble overhang was slight, then the total figure of rouble stood at 250 billion. William Nordhaus<sup>32</sup> concluded that at the end of 1989, a 50 percent increase in the general price level would be required to eliminate this overhang.

The Soviet government used to deny the existence of budget deficit. But, in October, 1988, it was Soviet Finance minister Boris Gostem who for the first time admitted the existence of a huge deficit in the budget for 1989. A combination of Soviet data and western analysis has focused on the picture of budget deficit in the Soviet Union. This is shown in Table - VI

**Table - VI**

**USSR STATE BUDGET DEFICIT- 1980-90**

<i>Year</i>	<i>Billions nominal roubles</i>	<i>% of GNP</i>
1980	17.9	2.9
1981	15.1	2.3
1982	21.3	3.1
1983	15.9	2.2
1984	14.9	2.0
1985	18.0	2.3
1986	47.9	6.0
1987	57.1	6.0
1988	90.1	10.3
1989	91.8	9.9
1990	100.0	10.5

**Source :** Same as Table - III

In 1990, budget deficit touched 100 billion roubles. It is interesting to note that, budget deficit jumped from 18 billion roubles in 1985 to 47.9 billion roubles in 1986. Upto 1985, budget deficit was 2 to 3 per cent of the total GNP. In 1986, it suddenly rose to 6 per cent and ultimately it touched the double figure in 1988 and sustained it in 1990, also. It can be concluded from this fact that with the introduction of Gorbachev era and his Perestroika, Budget deficit went beyond control. The 12th Five-Year Plan earmarked the year 1986-90. It was Mr. Gorbachev who sent back the draft plan thrice for correction with a view to getting higher targets of growth and investment and ultimately this revision engendered the increase of fiscal imbalances.

Another setback that the Soviet economy suffered in Gorbachev era was the decrease in investment. This is shown in Table VII. Gorbachev economy followed a peculiar policy. On the other hand, he was decreasing investment expenditure through state budget, on the other, he increased consumer subsidies.

**Table- VII**

**USSR STATE BUDGET EXPENDITURE - 1985 -90**

<i>Year</i>	<i>1985</i>	<i>1986</i>	<i>1987</i>	<i>1988</i>	<i>1989</i>	<i>1990</i>
G.N.P.	777.0	798.5	825.0	875.4	924.1	950
Total State expenditure(TSE)	386.5	417.1	430.9	459.5	482.6	488.2
Investment(I)	70.0	80.0	80.0	69.2	64.2	40.5
Consumer Subsidies(CS)	58.0	65.6	69.8	89.8	100.7	110.5
Food subsidies (FS)	56.0	58.0	64.9	66.0	87.7	95.7
Social Insurance & Health Care (SIHC)	83.6	89.3	94.5	102.5	105.5	117.2
(State expenditure as percent of GNP)						
GNP	100	100	100	100	100	100
TSE	49.7	52.2	52.5	52.5	52.2	51.4

I	9.0	10.0	9.7	7.9	6.9	4.3
CS	7.5	8.2	8.5	10.3	10.9	11.6
SIHC	10.7	11.2	11.5	11.7	11.4	12.3

**Source:** Same as Table -III

Investment finance through the state budget fell from 80 billion roubles in 1986 to 40.5 in 1990, i.e. a fall from 9 per cent of GNP to 4.3 per cent. And in 1985, consumer subsidies were 56.0 billion roubles which rose to 110.5 billion roubles in 1990. This indicates a rise from 7.5 per cent of GNP to 11.6 of GNP in the mentioned years. Another peculiar policy followed in the Gorbachev era was about the entrepreneurs. Goldman<sup>33</sup> cites the example of the law promulgated on July 1, 1986 which banned receiving 'unearned income' from the sale of products grown by somebody else. Another decree instituted on May 1, 1987, legalised the establishment of individual, family and co-operative business. According to Goldman, the 1987 law sought to expand what the 1986 law sought to ban. This caused confusion and hesitation among would-be entrepreneurs and this surely had a negative impact on the economy. State revenues were also in a diminishing trend. From 1985 to 1988, government revenue as share of GNP fell by 4.7 percentage points, although they grew slightly in absolute terms. This is shown in Table-VIII.

**Table- VIII**

***USSR State Budget Revenues - 1985 -90***

(billions of nominal roubles)

<i>Year</i>	<i>1985</i>	<i>1986</i>	<i>1987</i>	<i>1988</i>	<i>1989</i>	<i>1990</i>
G.N.P.	777.0	798.5	825.0	875.4	924.1	950
Total State						
Revenues(TSR)	372.6	371.6	378.4	378.9	401.9	428.2
Enterprise Taxes (ET)	119.5	129.8	127.4	119.6	115.5	122.6
Turnover Taxes(TT)	97.7	91.5	94.4	101.0	111.1	121.9

Foreign Trade Tax (FTT)	71.1	64.4	69.3	62.6	67.2	58.0
(State revenues as per cent of GNP)						
GNP	100	100	100	100	100	100
TSR	48.0	46.5	45.8	43.3	43.5	45.1
ET	15.4	16.2	15.4	13.7	12.5	12.9
TT	12.6	11.4	11.4	11.5	12.0	12.8
FTT	9.1	8.1	8.4	7.2	7.3	6.1

**Source:** Same as Table-III

Two major factors are responsible for the fall of state revenues<sup>34</sup>: falling alcohol revenues and falling revenues from oil export. Anti-alcohol campaign moved under Perestroika invited economic disaster. The campaign against alcoholism and reduction in consumer goods imports resulted in a significant decline in turnover tax collection from 103 billion roubles in 1983 and 1984 to all time low of 91.5 billion roubles in 1985. Only in 1986, there was a decline of 8.2 billion roubles in alcohol sales. Another important thing is foreign trade tax which declined since 1986 and finally it stood at 6.1 percent of GNP in 1990 from 9.1 per cent of GNP in 1985. Asters<sup>35</sup> divided the total years under Perestroika into two parts. During the first three years of Perestroika, he detected two major causes of monetary and financial imbalances mentioned above. In the second stage of Perestroika, from 1988, the Soviet economy entered a truly severe crisis. There are three reasons for this crisis: first, state enterprises followed the policy of wage-hikes to compete scarce labour suppressing the price increase. Secondly, social benefits rose even faster than wages mainly because of political populism. Thirdly, the government perpetuated the inflationary budget deficit by limiting enterprise taxes without cutting expenditures.

Administrative stalemate was there. The ministerial powers were restricted and staffs were reduced by 46 per cent between 1986 and 1989. Administrative stalemate was aggravated by Glasnost and democratization, which contributed to a rise of national dissention and separatism. By the end of 1990, all 15 union republics, other some parts had declared themselves independent or sovereign, and were pursuing policies of economic autarky. Under Perestroika, Soviet foreign trade performance was miserable. With the west, Soviet

foreign trade was characterised by massive deficits. This is shown in Table-IX

**Table-IX**

**SOVIET TRADE WITH THE WEST-1984-1990**

(billions of currency roubles)

<i>Year</i>	<i>Soviet exports</i>	<i>Soviet imports</i>	<i>Balance</i>	<i>Gross*debt. to west</i>	<i>Gross**debt from west</i>
1984	21.4	19.6	1.8	25.6	na
1985	18.6	19.3	-0.7	31.4	28.9 1986
13.1	15.9	-2.8	37.4	31.4	198714.2
13.9	0.3	40.3	39.2		
1988	14.7	16.3	-1.6	41.7	43.0 1989
16.4	20.5	-4.1	50.6	54.0	
1990	17.4	20.2	-2.8	na	52.2

(billions)

\* BIS/OECD assessment

\*\* Date provided by the Soviet authority

**Source:** Same as Table -III

Soviet gross debt to the OECD area doubled from US \$ 25.6 billion at the end of 1984 to \$ 50.6 billion at the end of 1989, and in hard currency, this debt was 36 billion roubles in 1989. In 1985, Soviet oil production fell; which ultimately caused a reduction in oil export to the west and in 1986, world market price of oil decreased. The result was a decline in Soviet exports to the extent of 39 per cent to the west within 1984 and 1986. In 1989, Soviet exports to the west had only reached 77 per cent of their level in 1984. On the other hand, Soviet government followed a vigorous import policy. Initially, it reduced its imports consequent upon its fall in exports upto 1987. Since 1987 upto 1989, Soviet imports grew by 47 percent and thus increased the foreign debt by \$10 billion to the west . And

more interesting feature is that both the import reduction as well as expansion policies were criticised by reformers. Some factors of production fell in 1989, e.g. energy production declined by 0.7 percent, the volume of transported goods 1.9 per cent, and employment 1.5 percent. And net marginal product (NMP) declined by about 3-5 per cent in real terms for that year<sup>36</sup>.

By 1990, a basic issue cropped in whether the Soviet Union would even survive and if so, in what form. In November, 1988, Estonia became the first republic to declare its sovereignty. On March 11, 1990, the Supreme Soviet of Lithuania claimed the "Restoration of the Independent Lithuania State". And in October, 1990, Gorbachev effectively broke his alliance with Yeltsin and the reformers and then embraced the conservatives<sup>37</sup>. At the same time five union republics had declared themselves independent. These republics are Estonia, Latvia, Lithuania, Georgia and Armenia. Other ten plus most autonomous territories had declared themselves sovereign. Even two parts of Moscow as well as some enterprises called themselves sovereign. In this juncture, on November 17, 1990, a far, reaching constitutional changes were made by Gorbachev<sup>38</sup>. There was a drafting of new union treaty in order to replace the treaty of 1922. And this treaty was finally published in late November 1990<sup>39</sup>.

While the process of disintegration started, the republics were on the verge of their independence, two types of activities were there: changes in policy apparatus and a parade of programme. In the first category, when it was understood that Perestroika was a complete failure, the State Commission on Economic Reform under the USSR council of ministers was established on July 5, 1989, under the chairmanship of Abalkin, Deputy Prime Minister. In January, 1990, Nikolai Petrokov was appointed Gorbachev's personal economic advisor. In March, 1990, Gorbachev was elected President by the Congress of Peoples' Deputies. He was appointed indirectly. He appointed a Presidential Council which included academician Shatalin. Gorbachev's obvious intension was that he, his council and its apparatus should co-ordinate economic policy. On September 24, 1990, the Supreme Soviet gave him such power.

In the second part, a parade of programmes was taken to revive Soviet economy. In October, 1989, the Reform Commission chalked out a programme, "Radical Economic Reform: Immediate and Long-term Measures" what was popularly known as 'Abalkin Pro-

gramme'. This programme opted for full-fledged market economy, broke with a whole range of communist taboos. On December 13, 1989, Prime Minister Ryzhkov presented a programme "Efficiency Consolidation Reform - the Road to a Sound Economy"<sup>40</sup>. This programme was an attempt to compromise between Gosplan and Abalkin programme. This programme rejected private ownership and extensive denationalisation. In February, 1990, the young radical economist Grigory Iavlinsky and two young collaborators Mikhail Zadornov and Aleksey Mikhaylov composed a 400-day programme. It stressed rapid and massive privatisation in order to stabilise the economy by soaking up excess roubles. Though this 400-day programme was preliminarily accepted by Abalkin and others, but in April, 1990, the Presidential council turned down the programme. This 400-day programme was transformed into 500-day programme by Mikhail Bocharov who was ultimately defeated in the premiership election in mid-June 1990.

After 28th Party Congress in June, 1990, Gorbachev met Mr. Yeltsin and agreed to set up a joint working group "on the preparation of a concept of a Union programme for the transition to a market economy as a foundation of a Union treaty"<sup>41</sup>. This working group was called as "Shatalin group" after its chairman. The main task of the Shatalin programme was to stabilise the economy and they wanted a fast transition to a market economy. Large-scale privatisation and a general delegation of powers to the Soviet Union's constituent republics were their aim. They also published a 500-day schedule for the transition.

In the parade of programmes, one difference cropped up on four crucial issues<sup>42</sup>, viz. the nature of the future union, price policy, stabilisation policy, and privatisation. The economic nature of the future union was main thing of contention between the government and Shatalin groups. Though they did differ regarding the status of the republics, but they had similar view regarding the functions of the central government in relation to the republics. The draft union treaty was hardly acceptable to any republic in December, 1990.

Regarding price policy and stabilisation, Shatalin programme hoped for the creation of a real market with free prices for 70-80 per cent of retail sales, leaving the prices of 150 essential goods fixed. To undertake stabilisation, to maintain standard of living and to privatize rapidly, it envisaged cuts in the state budget of 20-30 per cent for investment, 70-80 percent for development aid, 30-50 percent for subsidies to unprofitable enterprises, 20 per cent for KGB, 10 per cent for the ministry of defence, 5-10 percent for state

administration. On the other hand, the government prepared for an extensive price revision on January, 1, 1991. To achieve its goal of reducing budget deficit to 2.5 per cent of GNP, the government programme proposed complete elimination of subsidies to unprofitable enterprises, some cuts in production investments and cuts of 75 per cent in development aid, 5 per cent in defence, 30 per cent in administration and 20 per cent in other expenditures. Both sides warned of hyper inflation. The government cautioned that the budget deficit could rise to 170-180 billion roubles in 1991. Boris Fedoroy anticipated this amount to the tune of 340 billion roubles.

So, some counter measures were suggested. Each side accused the other for adopting unrealistic price and budget policy and each agreed that the other's programme would cause the worst possible inflation and social harm. According to a Presidential decree of October 4, 1990, some price policies were taken, according to which about 30 per cent of wholesale prices would be fixed by their own way, 30 per cent were to be free upto a certain level and 40 percent were to remain fixed at a new higher level. This implied both a far reaching deregulation of wholesale prices and considerable price rise.

Regarding privatisation, the opinion of Shatalin group and the government differed on how far privatisation could and should be carried out. The Shatalin programme concentrated on the volume, structure and speed of privatisation. It also advocated large-scale land-reform by distributing unprofitable collective and state farms to private farmers. The government could not agree to the introduction of private ownership, including of land or denationalisation of state property on a large scale, including small and medium-sized enterprises. Initially, Gorbachev discarded private ownership of land. He said, "I, for instance, do not accept private ownership whatever you do with me"<sup>43</sup>. Later on, he made it clear that he would accept private enterprise only on a small scale in certain limited sectors<sup>44</sup>. This indicates that Gorbachev recognised co-existence of different forms of ownerships under socialism. Gidadhubli<sup>45</sup> remarked that by this recognition, Gorbachev ultimately denounced the Stalinist interpretation of Socialism. The Gorbachev plan emerged as a compromise between the two plans and was subsequently adopted by the Supreme Soviet of the USSR on October 19, 1990. Regarding the federal structure of the USSR, the plan envisaged four stages in effecting the transition to a market economy beginning with programme of extraordinary measures aimed at stabilisation. This was to be followed by

tough financial restrictions and flexible system of price formation in the second stage of Perestroika, i.e. in 1988, in which there would be a gradual transition to market prices. Narayanswamy<sup>46</sup> is of the opinion that there are a number of common elements in the three plans. All the plans aim to establish a mixed economy. All of them envisage structural transformation including a full blooded capital market with a secondary share market, conversion of state enterprises and collective farms, decontrolled prices, a full convertible rouble and an overhauled banking system and other concomitant of a western economy. None of the plans envisage the establishment of a market economy. The Shatalin plan was mistakenly presented as a crash course to marketisation, but this is misnomer. The most striking similarity of all the plans lies in their underestimation of the tribulations that must inevitably accompany the transition, which perhaps explains why none of them appear convincing. In spite of all, the Shatalin plan is perhaps the clearest in intention.

From both political and economic point of view, the crucial turning point for Gorbachev was September-October, 1990. In September, 1990, "President Gorbachev had the option possibly of a tentative resolution of the national crises together with an initial cure of the economic crisis. However, he failed on both accounts, because he was not prepared to accept a diminution in his own power, the weakening of the union, and large-scale privatisation. The 'window of hope' closed in October<sup>47</sup>". The situation of the USSR in winter 1990-91 was same as in Poland in winter 1981-82. In the same way as the Polish crisis broke the main tenets of communism in Poland, the then crisis of the USSR brought an end to the system created by Lenin, Stalin and Gorbachev in the Soviet Union in August, 1991.

In January, 1991, Soviet government eliminated 50- and 100- rouble notes as legal tender and the holders of these notes required to prove that they had earned it legally before exchange them. Total circulation of such bills amounted to 48.2 billion roubles, and by that, money supply was reduced by 26 billion. According to Soviet government, this currency reform was a total failure.

In the first half of 1991, the economy of Soviet Russia became so worse, that Mikhail Gorbachev had to appeal for financial aid to the major industrialised nations at the London G-7 summit in July 1991<sup>48</sup>. In the aftermath of the failed coup, many of the USSR's 15 republics had severed trade links with the rest of the union, further deepening the economic crisis. According to Nigek Healey<sup>49</sup>, the primary cause of growing industrial anarchy in the

USSR after August coup was simply that the planning system ceased to function, with the inevitable result that the supply side of the economy had degenerated into chaos, with enterprises unable to rely on planned supplies and shops unable to secure goods to sell. Prior to August failed coup, several republics had already banned the export of key raw materials and final products of other republics in an attempt to force the Soviet government to recognise their independence. Immediately after the coup, in Russia, inflation exceeded 100 per cent.

### **Role of Gorbachev in the disintegration of the USSR :**

"Since the death of Joseph Stalin in 1953", Peter Van Ham<sup>50</sup> wrote, " every Soviet leader has initiated his own set of reforms aimed at revitalizing the USSR's economic system. One could even say that since the 1960's, no year has passed without the introduction of new economic experiments," In the Brezhnev era, such experimentation took on a routinized character that aimed at the so-called "further perfection" of the economic system. Decades of Soviet economic experimentation, however, had not been able to alter basic structure of the Soviet command economy. Hence it is important to judge whether Gorbachev with his 'Perestrioka' and 'Glasnost' was able to transform the command system into a Western style market economy. A number of western scholars tried to review Gorbachev's role in the context of Soviet collapse. All of them do agree in one point that from his predecessors Gorbachev inherited a country with stagnant economic growth , a budget deficit of an estimated 18 billion roubles, and a cataclysmic shortage of basic commodities, At the time of taking over charge, Gorbachev was unfortunate to have a society where corruption and social malaise were rampant. So radical measures to alleviate the problems were necessary, not only for economic reasons but also out of a concern for national security.

In the early years of Gorbachev's rule, the design of economic reforms remained vague and distinctly ill-defined. In May , 1985 , restriction was imposed on the production and sale of alcohol that caused a huge reduction of state revenues; in August, 1985 a new bonus system for the production of consumer goods was established that increased subsidy to a greater amount; and in November, 1985 as well as in March, 1986, new bureaucratic supervisory institutions were created which were based on the Brezhnevian tradition of "further perfection". Almost all the scholars consider the June 1987 Central Committee Plenum on the economy to have been a turning point. At this meeting, Gorbachev outlined

a more radical and concrete economic reform programme. Hewett<sup>51</sup> argues that the programme is nothing but the replication of the reform of 1965 designed by Kosygin. Gorbachev's Perestroika bears some similarity to the Kosygin reforms. Like the 1965 reforms, the success of Gorbachev's "restructuring" of the Soviet economic system partly depended upon the price system. One of the key elements of the 1965 reforms was that enterprises were to operate on a so-called 'khozraschet' basis, which means that they were in principle to be self-financing. This very same idea had been reintroduced by Gorbachev in order to stimulate responsible economic behaviour among managers and workers. Gomulka<sup>52</sup> remarks that Gorbachev's reform efforts, which were based upon the marketization of the Soviet economy and a decentralisation of decision-making authority imply a considerable shift of political and economic power from the centre to the periphery. Economic decentralisation, would, as a matter of course, lessen Moscow's political grip on the country and speed the end of the one-party political system. Moreover, like the 1965 reforms, the fate of Gorbachev's Perestroika largely depended on the willingness of bureaucrats to abolish their own jobs, a dubious basis in which to construct a policy in any society.

The Gorbachev phenomenon called forth a flood of writings on reform in the Soviet Union between 1988 and 1992. Alfred Evans, Jr.<sup>53</sup> reviewed a number of books written by western scholars on Soviet events. Tariq Ali<sup>54</sup>, one of them, observed reforms since 1985 as creating a basic conflict between reformers, led by Gorbachev and supported most ardently by intellectuals on the one hand, and conservative mid- and lower-level party and state apparatchiki, whose apprehensions were expressed by Yegor Ligachev, on the other. However, this dichotomous view overlooks much of the complexity of the contemporary Soviet political spectrum. Ali reached no definite conclusion about the prospects for the success of reform in the Soviet Union. Only his doubt became true after dismantling of Soviet Russia. Breslauer<sup>55</sup> reviewed the factors favouring reform in the USSR and the factors hindering reform, and concluded that positive and negative factors are balanced so evenly as to give crucial importance to the role of political leadership in steering a course of change capable of winning popular support. The implication of Breslauer's analysis is that Gorbachev played a difficult politics and tried to maintain a balanced base of support while the nature of the political process had been undergoing constant and fundamental change. Among the right-wing opponents of Perestroika Hazan<sup>56</sup> distinguishes between "bureaucrats

and conservative fundamentalists" who were seen to be motivated by ideological convictions and scattered among many sectors of society. Hazan indicates, in the first phase of Perestroika, that Gorbachev had two major advantages: first, Gorbachev's diverse opponents lacked unity, and thus "have no single platform of resistance to Perestroika". Second, the other key asset that Hazan attributes to Gorbachev is the tactical flexibility of a shrewd political realist. The Soviet General Secretary and President could avoid sharp confrontation in times of vulnerability, while striking deals with his opponents to disarm their resistance and maintain the appearance of consensus.

Zdenek Mlynar<sup>57</sup> identified the main obstacle to Perestroika as a set of cultural attitudes rooted in prerevolutionary Russian tradition, and engendered by authoritarian decision making and the dominance of society by the state. He admitted in 1988 that the key problems of radical democratization of the Soviet political system remained largely unresolved and in 1989 he also added that the struggle to adapt political institutions to representative functions was complicated by the decline of living standards of Soviet citizens and the sharpening of nationality conflicts. Françoise Thom<sup>58</sup> wanted to name the Perestroika as an anti-corruption campaign, because in 1980's there was a tremendous growth of organised crime and its influence in the party apparatus. She believed that the reforms announced by Gorbachev was designed to intensify the control of the highest party leaders over society. Thom also remarked that 'Glasnost' had involved the manipulation of information by the party elite for its own purposes, partly to charm the west and partly to check up on local official and discredit those reluctant to follow the party line. Ilya Zemtsov and John Farrar<sup>59</sup> were of the opinion that Gorbachev came to power seeking to revitalize the Soviet system through superficial changes. They dismissed the reforms that he introduced during his first two years as general secretary as "essentially cosmetic, barely touching the system itself". It was rather, according to them, a little more than public-relations campaign or an attempt to kindle enthusiasm and promote the Soviet image abroad. Stephen White<sup>60</sup> provided a comprehensive political history of the Soviet Union from the time of Gorbachev's accession to the post of General Secretary of the CPSU in March 1985 to the time of his election as President of the USSR in March 1990. Through the skilful use of a wide range of Soviet sources, White reviewed not only leadership politics but also reforms in political structures, the coming on Glasnost, the progress of economic reform, tensions in nationality relations,

and changes in the Soviet Union's stance in international politics. White also accurately described the ambiguities that still could plague Gorbachev's programme of change after several years of the drive for restructuring. He reported that "five years or more into the new administration, the nature of Gorbachevian socialism remained frustratingly elusive"; that the Communist party's "crisis of confidence reflected a deeper uncertainty about its function under conditions of Perestroika".

Another western scholar Peter Frank published two articles, one in November, 1989 by name 'Perestroika in Crisis'<sup>61</sup> and another 'The end of Perestroika'<sup>62</sup> in May, 1990. In the first article Peter cast his doubt about the success of Perestroika, and in the second article, by the name of the article 'End of Perestroika' he expressed his opinion. In the first article he wrote, " From its inception, there has been an inevitable contradiction built into Perestroika. Naturally, the revolutionary renewal of society is bound to entail far-reaching change and innovation of a progressive kind . But, given that certain fundamental premises are deemed to be sacrosanct, sooner or later the dynamic process of Perestroika will find its path blocked. Perestroika can not flow round the impediment: it must stop or it must surmount the obstacles in its way. That moment seems now to be imminent <sup>63</sup>. At the end of 1989, public morale was disintegrating, confidence in Gorbachev appeared to be declining ; social stability- particularly the incidence of crime was causing acute anxiety; food shortages were widespread; prices were rising steeply and there were fewer goods to buy anyway. Housing, health , recreational facilities and public services were all in a critical condition. The optimism generated by Gorbachev's innovations seemed to be ebbing rapidly.

At the end of November 1989, Gorbachev published "The Socialist Idea and Revolutionary Perestroika". In it , he admitted that in the early days of Perestroika was considered to be sound. But at the end of 1989, Gorbachev said, "we are speaking about the necessity of a radical re - making of the entire social edifice-from its economic foundations to its superstructure"<sup>64</sup>. But on April 7, 1989, Gorbachev, during his visit to Britain, made a wide ranging speech before an invited audience which included the Prime Minister, Mrs. Margaret Thatcher, in which he categorically said, " Today, the interest in our Perestroika is not diminishing ...we launched Perestroika with our eyes open.....as for the difficulties- and they do exist- we accept them as a natural expression of contradictions inherent in a transition period. None of these difficulties indicates that the concept itself of Perestroika is

wrong...Perestroika takes time, patience, perseverance and creative efforts"<sup>65</sup>. These two statements, made in the same year, one in April and another in November of 1989 indicates a clear shifting of opinion. In March, 1990, Article Six of the USSR constitution was amended by the Congress of People's Deputies where genuine political pluralism was recognised. And Perestroika came to an end. In his second article Peter Frank remarked, "A policy can be deemed to have succeeded only if it attains the objectives that were set for it. Perestroika was not intended to enable the Soviet Union to achieve the highest world levels of social productivity in the shortest possible time...Gorbachev's statement in November 1989, combined with the constitutional amendments of March 1990, marks the demise of Perestroika in its original conception and the beginning of a new attempt to transfer the Soviet Union into a modern civilised state "<sup>66</sup>. Peter rightly apprehended the disintegration of Russia in 1990. He wrote, "...today the Communist party of the Soviet Union as an institution, is intellectually and morally bankrupt. With a falling membership, its prestige low and its authority tatters, it is not leading, not directing, not consolidating, not coordinating, not cementing- in fact, it appears to be in imminent danger of disintegration"<sup>67</sup>. Gorbachev's authority was very weak, he had no mandate to govern. Having been appointed to the General Secretaryship of the CPSU in March 1985 on a 4:4 vote, Gromyko, who was chairing the Politburo meeting, broke the tie in Gorbachev's favour by giving casting vote, He became a member of the Congress of People's Deputies only by taking one of the hundred seats reserved for the party and dispensed by the politburo of which he was the head. He did not opt to be directly elected by the people, rather he was elected by the deputies indirectly. Perhaps Gorbachev feared that had he stood in open contest, he would not have been elected.

While explaining the cause of probable collapse of the USSR, another western scholar Dominic Lieven<sup>68</sup>, from the historical point of view, was of the opinion that neither the Russian society nor the Russian people as fertile a ground for liberal democracy as the Spain which Franco bequeathed to his successors. Dominic was sure about the disintegration of the Soviet Union. Reviewing the position of army in the Soviet Union he commented, "Only in the event of the collapse of political authority in Russia and the disintegration of the Union is it likely that generals could be prevailed upon to take on the burdens of political responsibility. For their rule to be effective, however, they would have to delay their move until disintegration had created a powerful mood for order, authority and

nationalism in the Russian masses<sup>69</sup>."

A few western scholars in 1987 granted Perestroika a fair chance of success. One of them was Stephen Rosenfeld,<sup>69</sup> who in October, 1987, wrote in the Washington Post that the Gorbachev reform " have a good chance of succeeding and their success would be passing geopolitical event ".

Among the Indian scholars Bhupinder Brar <sup>70</sup> assessed Gorbachev from different corners. According to him, Soviet behaviour under Gorbachev presents no problem to the powercentrists<sup>71</sup>.

It can be argued that Soviets' motives had not undergone any metamorphosis that they were still based on considerations and calculations of power, but these calculations themselves required that ambitions be curtailed. Such portrayal may appear quite persuasive. But in order to be really so, two things will have to be established by the powercentrists. First, they will have to show that the condition of Soviet economy was in the early 80's itself so bad that all the drastic foreign policy steps which Gorbachev took had become mandatory. There are many who refuse to buy such deductions. They argue that the final ruination was caused not by reasons inherent in the economy but by Gorbachev's 'ill-conceived ' decentralisation plans, that 'it was the medicine which killed the patient'.

Secondly, the powercentrists will have to prove that not only was the actual condition of the Soviet economy bad, Gorbachev also perceived it to be so, that he recognised it to be actually so grave that he felt obliged to take steps which had the condition been not so bad, he would not have taken. Bhupinder Brar had shown that the power centrists fulfilled neither of these conditions.

Published in 1987, in his book 'Perestroika', Gorbachev said "In the last fifteen years, the growth rates had declined by more than a half and by the beginning of the 80's had fallen to a level close to economic stagnation." He also wrote, " And if we criticise ourselves the way nobody have ever criticised us, west, east or anywhere else , that is only because we are strong and we do not fear for our future . We shall withstand these criticism; the people and the party will withstand them. But when our reforms produce the expected results, then the critics of socialism will also have to undergo a 'Perestroika'. The success of Perestroika will be the final argument in the historical dispute as to which system is more

consistent with the interests of the people ".<sup>72</sup>

Some ideological and programmatic differences existed in the top echelons of Soviet leadership around the time when the book was written. Let us consider some examples. In the year 1987, both Prime Minister Nikolai Ryzhkov as well as Yegor Ligachev, the CPSU ideology chief and number two man in the politbureau had articulated differences with Gorbachev in early June, 1987, to go slow and not introduce the new management system until 1991. The intervening years were needed in their opinion to prepare for the transition to the radical reforms. Ligachev was also reported to have warned that attempts were being made to misuse 'openness' for disseminating views "hostile to the interests of the working people ". He said that 'class enemy' nourished hopes of exploiting Gorbachev's economic and social renewal programmes to weaken the influence of Marxism-Leninism. At the end of the same month, Gorbachev pushed through the Supreme Soviet the new management laws. Economist Nikolai Shmelev was reported to have proposed that a certain controlled level of unemployment be allowed since it would be conducive to faster growth of the economy. Gorbachev reacted sharply and called the proposal "unacceptable". He declared that there could be no revoking of the rights to work, education, free medical services and housing that socialism had provided to the people.

In the remaining part of the year, too, dissent came from those who wanted faster changes. In August, one of the Gorbachev's own advisers, economist Abel Aganbegyan, was found lamenting that progress was very slow and that there were still more failures than success. He suggested the closure of hundreds of loss making factories so that healthy enterprises could flourish. In the same month, Boris Yeltsin, the then Moscow boss and an alternative member in the politbureau, was reported to have expressed exasperation at the slow rate of changes. These opinions also caused no alarm to Gorbachev. Instead, he declared confidently in October that people must not panic. He was absolutely confident of his success. It is with this confidence and firmness of views that he wrote the book.

Since 1988 January and onwards, the Soviet economy ran into rough weather lost momentum as well as direction, nosedived and crashed bringing down with it the Soviet state and burying beneath both what Gorbachev had inherited and what he had sensed the impending disaster, for it looked as though somewhere in the middle he gave up his original destination and decided to concentrate on crisis management and damage control. What

ensured was chaos and service crisis, marked by steep fall in GDP, crippling inflation, parallel black market economy and corruption. When the Soviet Union finally broke up, it had already become dependent on external aid.

Bhupinder Brar attempted to show in his paper that the entire period of 1985-91 was not uniform in character and should in fact be divided into segments, with borderline drawn somewhere around 1987-88. Mr. Brar said, "What gave a fatal twist to the course of events in Gorbachev's Soviet Union was not the 'bad economies' of Perestroika but the virtual impossibility of its politics"<sup>73</sup>.

Gorbachev's ultimate socio-political ideal was not certainly laissez-faire economy. He considered socialist system far superior to free market. In his own words, "We are conducting all our reforms in accordance with the socialist choice. We are looking within socialism, rather than outside it, for the answers to all the questions that arise."<sup>74</sup> But it is not enough to merely recognise Gorbachev's commitment to socialism. It is more important to understand what he understood by it. For him, the essence of Perestroika lies in the fact that it united socialism with democracy.

Ramnath Narayanswamy<sup>75</sup> was of the opinion that the collapse of Soviet communism or for that matter, the economic crisis confronting the Commonwealth of Independent States—neither of these outcomes corresponded to either Gorbachev's intentions or of those who surrounded him. These were the unintended consequences of a reform who could not quite pull off the revolution he intended arguably because he worked to unite socialism and democracy in a manner that was not susceptible to the unity he sought. Narayanswamy quoted Gorbachev "We assess our success and errors alike by socialist standard. Those who hope that we shall move away from the socialist path will be greatly disappointed. Every part of our programme of Perestroika—and the programme as a whole, for that matter is fully based on the principle of more socialism and more democracy."<sup>76</sup> In an interview with Narayanswamy, Hans Hermann Hohmann,<sup>77</sup> specialist in Soviet and East European affairs, remarked before the coup that the Gorbachev era was the attempt to modify the old system by introducing changes at various levels of economic and political life without abolishing socialism and one-party system.

Narayanswamy<sup>78</sup>, before collapse, in 1989 explained Gorbachev reform from two corners: first, Gorbachev reform was aimed towards overthrowing not only the dead weight

of Stalinism inherited from the past, but equally overhauling a large part of Leninism. Secondly, the Gorbachev reform might well result in opening a 'third path' to substantive economic reform in contrast to the Hungarian model of decentralised planning on the one hand and the Chinese attempt to articulate a model of growth based on individual interest increasing consumption and efficiency on the other. N.K.Chandra<sup>79</sup> observed Gorbachev era from some different angle. In the USSR, according to him, corruption was universal features in all time. But there was a qualitative difference among Stalin, Khrushchev and Gorbachev years. Brezhnev himself as well as many other leading cadres with his personal support, virtually looted the national exchequer, deprived the collective farmers of their dues, falsified figures of cotton production by thousands of tons and sold the imaginary crops to the state. There were no parallels in epochs. For under Stalin, the Terror acted as a strong deterrent. In Khrushchev's days, the constant shuffling of top bureaucrats, exemplified above all by the rapid turnover in central committee membership, was not conducive to an unbridled pursuit of private gains as in the Brezhnev period.

But in Gorbachev era, due to Glasnost, there were open discussions on public policy and many revelations about corruption among the high and mighty. Neither there is proof of Gorbachev indulging himself in corruption nor is there any evidence that serious attempts were made to root out corruption and wastage at various levels after 1985. Economic reform may have to be reinforced by political reform. Neglect of these interconnections was a major reason for the failure of the earlier reforms of Khrushchev, Kosygin and others<sup>80</sup>. Gorbachev was no exception in this line.

Dev Murarka explained the downfall of the USSR from some other point of view. According to him, Boris Yeltsin was one of the main victims for whom Soviet economy collapsed. "The antagonism", Murarka wrote, "between Russian President Boris Yeltsin and Gorbachev, ex-President of the USSR, is a story going back to 1987, when Yeltsin was removed from the post of the first secretary of the Moscow city Communist party and membership of the Politbureau. Since then Yeltsin has pursued a single-minded vendetta against Gorbachev throughout the length and breadth of Russia. It has been a successful vendetta. As a result, Gorbachev lost power, the country was split into several independent republics and Yeltsin emerged as the sole leader of Russia"<sup>81</sup>. The hatred of Yeltsin towards Gorbachev was personal, visceral. While Gorbachev resented Yeltsin, he did it so politically

and as a successful opponent. But Yeltsin's antagonism went beyond politics. There was an unbridgeable cultural and emotional gap between the two. From this fact Dev Murarka concluded that there are the extraordinary similarities in the Brezhnevite treatment of Soviet dissidents of that time period and the Yeltsinite treatment of Gorbachev.

R.G.Gidadhubli<sup>82</sup> observed in 1989, that a discontent was growing in the Baltic Republics of Soviet Union. The demand for greater autonomy on the part of these republics in managing their economies and developing their sociocultural life was compatible with the democratisation process initiated by Gorbachev. But a constitutional amendment made on November 16, 1988 in Estonian republic contradicted the constitution of the USSR. For example, Article 4<sup>82</sup> of the new law of the Estonian Republic contradicted Article 11 of the constitution of the USSR according to which objects of nature belong to the entire Soviet people and further the means of production in the Estonian republic are also created by the labour and resources of all other republics. This unusual event evoked waves in the world press. This constitutional hitch was possible by getting the opportunity to frankly and openly express the resentment initiated by Perestroika and Glasnost. One of the major causes for discontent in the Baltic republics was that the decisions of the CPSU were taken without considerations of the local interests and viewpoints.

On September 21-23-, 1988, there was a 3-day meeting of the specialists from Gosplans of Latvia, Estonia and Lithuania in Riga to work out a new model of economic development of republics and regions. In this meeting, three Baltic republics worked out basic principles of 'khozrashyot' (cost accounting) of republics and a new model of relations between federal republics and the centre. According to these principles, the republics would have the sovereign right over their entire properties - land, water, minerals, and also enterprises and infrastructure built from the expenses of the state; and economy, finance, banking, transport, foreign trade, pricing, employment, etc. were to be independently carried out by the republics. These principles were diametrically opposite to the existing norm of super centralisation where power of the republics were highly restricted.

Another sensitive issue was language. In Latvia, Georgia, Armenia, Azerbaijan, Estonia - everywhere it was decided that they would implement their own language as the official language. By this they wanted to restrict Russian language.

All these facts can, now, be narrated as the germination of seeds of disintegration of the erstwhile USSR. With this background, Indo-Russian trade relation has been discussed.

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28. Involuntary portion of savings was about 8% out of total 12%. So, voluntary saving was 4%. This was calculated by Anders Ausland.
29. Funds held by the enterprises say little about their purchasing power, because enterprises enjoy soft budget constraints and are usually able to extract supplementary non-cash funds when they have found something to buy.
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