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Canada
Economic Factors and the Soviet Non-Intervention During the Central East European Revolutions: 1988-1990

by
Adam E. Fallenbucht

A Thesis
Submitted to the Faculty of Graduate Studies and Research
Through the Department of Political Science
in Partial Fulfillment
of the Requirements for the Degree of
Master of Arts
at the University of Windsor

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Abstract

In 1988-89 the three Central East European states of Poland, Hungary, and Czechoslovakia erupted with popular political movements that challenged Communist rule and Soviet hegemony in the region. Such challenges to the USSR's empire in Eastern Europe had occurred throughout the history of the Soviet Bloc. Generally the USSR dealt with the most serious challenges to Soviet control with the use of force, either by directing the government of the problem state to use its own security troops to crack down, as it did in Poland in 1981, or by using its own troops to intervene in Eastern Europe as it did in 1968. In 1988-89, the Soviet Union did not follow the precedent that it had set, and pursued a non-interventionary policy in Eastern Europe. Clearly some factor or group of factors must have changed between the time the USSR last used force to preserve its empire and the revolutionary events that occurred in the late 1980s.

The study explores the major role that the state of the economy played in the formulation of Soviet foreign policy during the Central East European revolution. It does this by comparing the official growth rates of key Soviet economic indicators in 1988-1990 with the rates of growth in 1966-1970 and 1978-1980. The findings show that the health of the economy did deteriorate over the twenty-two years covered by this study. The rates of growth for the USSR's national income, industrial and agricultural output, military spending, and allocation to accumulation all decreased throughout the period, with the deterioration in the rates accelerating as the time of the Revolution drew nearer.

The conclusion reached in this study is that the decline in the Soviet economy, while not being the sole reason for the USSR's decision not to intervene, was an important factor in the formation of Soviet East European policy. Whereas the state of the economy had never acted as a constraint to Soviet international behaviour prior to the late 1980s, it did limit the alternatives the USSR had with which it could respond to the threat to its sphere of influence in 1988-1989. The Soviet economy could not support an intervention because the cost of the intervention would have been too high, not just in financial terms, but also because it would have jeopardized the Soviet Union's ability to reach a rapprochement with the West so that it could modernize both its economy and its military.
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Chapter 1:  
The Central East European Revolution: 1988-1990

Introduction

When the Second World War ended, the Soviet Empire built a curtain on its western border to protect it against an anticipated avalanche. The cold front that gripped the international system soon began to pile snow upon the structure that the Communists had built in Eastern Europe to protect the Kremlin's empire. In 1989 the wall suddenly collapsed. The resulting avalanche wiped away the Soviet presence in the region, and subsequent slides buried the Union of Soviet Socialist Republics itself. Prior to the incredible and rapid events that can only be described as revolutionary, Europe had been divided into two camps. The USSR had controlled the Eastern half, consisting of the German Democratic Republic, Poland, Czechoslovakia, Hungary, Romania, and Bulgaria, by means of a tight policy of limited sovereignty, reinforced periodically by military force. Immediately after the revolutions in Eastern Europe, the USSR was struggling to maintain any type of influence over the states it had once controlled, and within two years the Soviet Union itself was on its death bed. It certainly appears that this once great empire experienced its final spasm in August 1991 when a small group of hard-liners engineered a coup that ended in failure, and discredited the Soviet Union's Communist Party completely.
The impact from the revolutions was felt not only in the Soviet Union, but also throughout Europe and the world. Germany, as a result, has been reunited, which will cause significant changes in the European Community's future development. Yugoslavia, which had left the Soviet Bloc decades before the revolutions began, has had a civil war break out, in part, as a result of the sudden collapse of East European Communism. In Africa, one-party rule has been rejected by many nations because of the return to democracy in the former Soviet satellite states. The collapse of the Soviet Bloc has also signalled the end of the Cold War, a development that led to the announcement of a new world order, the nature of which no one yet knows. The natural evolution of world politics had been arrested since the Second World War, since East-West tensions forced a certain cohesion in the two Super Power camps. The thaw in international relations may mean that many of the pre-war international problems may surface once again. The collapse of the Soviet empire in Eastern Europe, through the extraordinary and mostly peaceful revolutions of the late 1980s, has created a time of great change and hope.

One must wonder at the origins of the forces that led to the collapse of the world's last great empire. The impetus for such an astonishing change in the political division of Europe could have come from numerous sources, both external and internal to the Soviet Bloc. Certainly when one looks at the series of events that occurred in Eastern Europe in the late 1980s, one sees that the states of Eastern Europe, in particular the three Central East
European states of Poland, Hungary, and Czechoslovakia, were politically ripe for change. In fact, the elements that propelled the people of Eastern Europe in general had been gathering for some time, like the waters from several mountain streams pushing against a dam made of logs. The Soviet leaders, however, were like vigilant beavers, plugging any leaks and repairing any breaches that may have occurred in the barrier they had constructed. In the late 1980s, however, the USSR failed to make any real effort to fill the cracks as it had for the forty-five years after the Second World War. The decision not to repair the gaps ultimately belonged to the Soviet Union. In order to uncover the reasons why the Soviet leadership chose not to act against the revolutions that began in Central East Europe, one must first be familiar with the events that occurred in the Soviet Bloc in the late 1980s and their origins.

The Revolution in Central East Europe

The East European revolutions began in Poland in the Summer of 1988. In August of that year, a series of strikes occurred in response to the ever worsening economic conditions in the country. The Polish Communist government, led by General Wojciech Jaruzelski, had been literally buying time in Poland throughout the 1980s by conceding to worker demands for higher wages, and by accumulating "colossal foreign debts [owing to] the

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need to buy off consumer and labour unrest". The policy was ultimately unsatisfactory since it only created a high inflation rate and added to the shortage of goods on the shelf in stores because nominal consumer purchasing power rose faster than the supply of goods. The result of the government's delay tactic was that while the workers were demanding higher wages, in effect their real wage dropped by twenty percent between 1980 and 1988. The immediate trigger for the August strikes was the same as it had been for other labour stoppages in the decade, the announcement of another set of food price increases. The August strikers in the Silesian coal mines, where the strikes began, the Gdansk shipyards and the Nowa Huta steel works demanded that the Polish government re-legalize Solidarity, the trade union that had been outlawed during the imposition of martial law in the winter of 1981-82, and reinstate Lech Walesa as its leader. The Communist regime had its back to the wall. It could not continue with its attempts to buy off the strikers. The ruling Communist Party, called the Polish United Workers' Party (PUWP), began to debate whether or not it should reverse the anti-Solidarity position that it had taken earlier in the decade. The very fact that the Polish Communists were debating Solidarity's reinstatement

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3 Ibid., p.68.
meant, as Zbigniew Brzezinski remarked at the time, that Poland was entering a pre-revolutionary period.4

The search for a solution to Poland's deepening crisis led Poland's Communist government to conclude by the end of August that it had to re-legalize Solidarity and allow Walesa to take up his position as leader of the trade union. Although the legal rebirth of Solidarity solved the immediate problem of the strikes, it also created a new problem. At the Central Committee Plenum on August 26, when the PUWP decided that it had to allow Solidarity to resurface, the Communists were in effect forced to admit that they had made mistakes in their management of the country's affairs since 1981, and that they required the assistance of the other elements of Polish society to solve the nation's crisis. The only two coherent groups that they could deal with were Poland's Roman Catholic Church and Solidarity. Walesa, after the strikes ended, began to push for round table negotiations with the government in order to find a solution to Poland's crisis. Unofficial preliminary negotiations began between the government and Solidarity in September. By November, events had progressed to a point where the government agreed to an uncensored television debate between Walesa and the leader of the official labour union, Alfred Miodowicz. In the debate, Walesa "demonstrated his dialectical and debating skills

and won a smashing victory. With Walesa's popularity soaring after the debate in which Miodowicz, a member of Party's Central Committee, had tried his best to discredit Solidarity's leader, and with Poland's economic crisis continuing to deepen, the regime had no choice but to sit down with leaders from the Church and the trade union. In February of 1989, the round table talks began. It soon became clear that the legalization of Solidarity had opened a Pandora's Box in Poland, because the government was forced to cede point after point afterwards.

The result of the discussions was a revolutionary agreement signed on April 5, 1989. The historic document ended the Communist Party's monopoly on rule in Poland and drastically changed the political landscape. It created a new upper house in the legislature and a Presidential Office. The initial agreement stipulated that the president would be elected by the Polish legislature, and would be a Communist. The newly created Senate and one third of the Sejm, Poland's national Parliament, were to be freely elected in upcoming June elections, with the rest of the seats being filled by candidates from the Communist Party's lists. The result of the elections was far worse than the Communists ever feared, with non-Communists winning all but one of the 100 seats in the senate and all 161 open seats

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5 Brogan, p.71.
6 Hawkes, p.22.
contested in the 460 seat Sejm.\(^7\) Of these, 92 seats in the senate and 160 in the Sejm were won in the first round where 50%+1 votes were needed to win, with a turnout well above 90%. Meanwhile, in the elections for the guaranteed Communist seats, the turnout was around 25%, and in the second round run off, where a plurality was required, only 6% of the electorate bothered to vote.\(^8\) The revolution had begun as Poland had de facto, but not yet de iure, rejected the Communist Party's role as vanguard of society.

The outcome of the election was a country without a government. Solidarity did not have a majority because of the numerical split agreed to at the round table talks, and the Communists could not even pretend to have gained popular support in the elections as they had for the past forty-five years. A semblance of stability was maintained by the election of Jaruzelski, Poland's prime minister, minister of defence, and general-secretary of the party from 1980-1988, to the office of president. In light of the election results, Mieczyslaw Rakoski stepped down from the office of prime minister and General Kiszczak was selected to replace him, a step that outraged the general public which wanted a Solidarity member in the post.\(^9\) Walesa found a way to create a non-Communist government by

\(^7\) Brogan, p.72.

\(^8\) Hawkes, p.27.

convincing two minor coalition parties to switch their parliamentary support. He then suggested to Jaruzelski that Tadeusz Mazowiecki, a Solidarity member acceptable to Jaruzelski because of his past moderate approach to his opposition to the Communist Party, be appointed as premier in exchange for Solidarity's support of Jaruzelski in his efforts to make it clear that Poland had no plans to leave the Soviet Bloc in the near future. Jaruzelski quickly accepted Walesa's suggestion after the Soviet Union's leader Mikhail Sergeivich Gorbachev assured the Polish Communist leader that Moscow would accept the proposed situation.\textsuperscript{10} History was officially made on August 24, 1989, at 1:08 PM, Warsaw time, when Mazowiecki was elected by the Polish parliament as the first non-Communist prime minister in Eastern Europe since the Communists seized power in the immediate post war period.

The Hungarian overture to the revolution of 1989 was a melody characterized by a slow tempo. While the events in Poland were being played out \textit{staccato}, Hungary's reforms moved \textit{a legato}. It is difficult, therefore, to pinpoint when the Hungarian reforms became revolutionary. Although one can identify the removal of Janos Kadar from the post of leader of the ruling Hungarian Socialist Workers' Party and the appointment of his successor, Karoly Grosz, in May, 1988, as a major breakthrough, it

only allowed the Hungarian Communists to accelerate their reform program. It did not signal the start of a revolution. The May reform program was very similar to the proposed reforms that the Soviet leadership were struggling to introduce into the USSR at that time. Although Grosz was a reformer who was prepared to accept a market economy and a pluralistic society, he was not ready to embrace either capitalism or Western style Parliamentarianism. In November 1988, Grosz set the stage for a revolution when he chose Miklos Nemeth, a bold reformer who insisted that real change was inevitable, as his Prime Minister. Nemeth believed that for the reforms to succeed, they required the legalization of opposition parties and of trade unions, and the introduction of free elections. As the reforms began to speed up, Grosz found himself trying to slow the tempo of the music of reform, causing the Party reformers to believe it was necessary to remove Grosz from power. On May 8, 1989, Grosz lost all effective control of the Hungarian Socialist Workers' Party (HSWP) when Rezso Nyers was appointed to the position of Party president, a post that had been ceremonial up to that point. Grosz remained as general secretary, but no longer held any real power. It was a move that allowed the reform elements that had taken control of the government to accelerate their reforms even more.

On 16 June, just two weeks after the Polish elections, Hungary was to be the site of the first large scale demonstration. The occasion was the 33rd anniversary of former Hungarian leader Imre Nagy's execution by the Soviet Army in the aftermath of the 1956 military intervention. The Hungarian regime marked the day by a ceremony in which Nagy's body was reburied with all the ceremony that would be given to a national hero. The day was also marked by the first large scale, anti-Communist, anti-Soviet demonstration in Eastern Europe, occurring a scant two weeks after the Polish elections which had been the first comprehensive rejection of Communism. It was becoming obvious to everyone in Hungary that the reforms had been transformed into a quiet revolution. Legislation introduced in January had legalized the right of assembly and association for non-Communist political parties, which created pressure for a pluralist society. By February the Communist Party's role as the vanguard of society had been passed on to some of the new groups who were calling for political changes that were well in advance of what the HSWP found acceptable. On June 4, 1989, the conservative elements of the Hungarian Communist Party lost their will to resist. Not only had the historic Polish election occurred on that day, but half a world away, in China, Deng Xiao-Ping sent tanks into Tienanmen Square to crush the students' pro-democracy demonstration.

12 Brogan, p.141.

13 Gati, p.170.
Between the rejection of Communism in Poland and the price that was paid in China to maintain the status quo, the Hungarian hardliners lost their will to resist. Their only hope of survival was to join the reformers.¹⁴

For the next three months the ruling Communist Party did everything possible to try to ensure its survival. In August, it agreed to a series of discussions with the main opposition parties, styled upon the Polish round table talks. In September, the Party attempted to address its sagging popularity by violating its treaty with the German Democratic Republic and allowing tens of thousands of East German vacationers to leave Hungary for the Federal Republic of Germany. The Hungarian government's new policy towards the East German tourists was in step with a decision it had made four months earlier regarding the border with Austria. In an attempt to change its image, the government removed the miles of barbed wire that marked the border and allowed Hungarians to leave the country without visas. The state's ruling regime also attempted to prove that it was different from the other ruling parties in Eastern Europe by calling for a new constitution that would create a new Republic of Hungary. The new Republic was to be a state in which the constitution would be a "real document genuinely transcending and enfolding" the political power of all parties, including the

¹⁴ Brogan, p.141.
HSWP. At its Party Congress in October 1989, the Hungarian Communist Party continued to try to prevent its slide into oblivion. It abandoned Marxism-Leninism, changed its name from the Hungarian Socialist Workers' Party to the Hungarian Socialist Party, and asked its membership to re-enroll in the renamed party. Of the 700,000 members of the old HSWP, only 30,000 actually did reenter the HSP, while the rest of the membership did not see the point in staying with a political entity whose illness appeared terminal.

The condition of the Hungarian Communist Party had taken a turn for the worst as a result of the round table talks. The agreement reached set out a schedule for reform that included two key points. The independent political parties were going to be allowed to contest the next set of parliamentary elections, but prior to that, a new presidential office would be created and filled by a presidential election. The latter proviso was meant to ensure that the only declared candidate, the Communist Party's Imre Pozsgay, would win the election and allow for a managed transition to democracy. The lot of the Communists turned parliamentary Socialists grew worse when two of the more influential opposition groups refused to sign the agreement that had been hammered out at the round table discussions. The two

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16 Asmus, Brown, and Crane, p.81.
opposition parties turned to the Hungarian constitution for help, exploiting a provision for the holding of a referendum to decide whether or not the presidential election should be held before or after the upcoming parliamentary election. The opposition quickly gathered twice the number of required signatures, 200,000 in all, and forced the regime to hold the referendum. The result of the first completely free vote in Eastern Europe for over 40 years, which occurred on 26 November, was the rejection of the regime's plan to hold the presidential elections first. The Parliamentary election, held on March 25, 1990, was contested by 35 political parties, with the Democratic Forum winning a decisive victory. The former Communists managed to win only 11% of the vote. Hungary's reform process had become a real revolution.

The shock to Eastern Europe from the Polish and Hungarian revolutions was felt long before the process had been completed in those two states. In Czechoslovakia, the revolution began on November 17, 1989, some fifteen months after the August strikes in Poland had marked the beginning of the disintegration of the Soviet sphere of influence in Eastern Europe. A students' march had been organized on the anniversary of Jan Opletal's funeral back in 1939. Opletal was a student who had been shot by NAZI soldiers during a protest against Hitler's annexation of Czechoslovakia. The purpose of the 1989 march was to protest political repression. The Socialist Youth Movement, SSM, mistakenly gave the demonstration its backing because it had been led to believe that the student rally was to commemorate
the past. The SSM did not realize that the repression targeted by
the students was not from fifty years earlier, but that of the
present day. The rally, which was inspired by the pro-democracy
movements in Poland and Hungary, grew in size as it moved
peacefully through the streets of Prague. When it reached its
officially sanctioned destination, the cemetery in which Opletal
had been buried, it began to disband. Most of the marchers went
home, but a core of 3,000 students began to march back into the
centre of the city. The students were intercepted by riot police.
The students countered by sitting down on the ground and
shouting that they were unarmed. The police told them to leave.
When the marchers attempted to depart, they found that the path
behind them had been blocked by another police riot squad.
Suddenly the Czechoslovakian security forces came after the
students. The marchers were beaten and those who did not escape
through the darkening streets of Prague were arrested.

On Sunday, Wenceslas Square, in the heart of Prague, was
taken over by 20,000 people who came to protest the beatings
from two days before. That evening Vaclav Havel, a political
dissident and an internationally known playwright, along with a
group of friends and some students, created Civic Forum. The next
day the size of the protest multiplied by ten as 200,000
protesters massed in Prague to demand the resignation of the
Communist government. The protests were led by the leaders of
Civic Forum and called for a nation-wide strike on the 27th. The
next day, Tuesday, November 21, the crowd in Prague grew by
another 50,000 people. At the same time in Bratislava, Alexander
Dubček, the one time leader of Czechoslovakia and the man who
had been in power when the Prague Spring had occurred twenty
years earlier, addressed a similar demonstration. Two days later
Dubček joined Havel in Prague to address the crowd in Wenceslas
Square, that had swollen to 500,000 by that time. The old leader
spoke of a resurrection of the principles of democratic socialism.
The entire event was covered live by television, which indicates
that the government, by that time, had lost control of the media.

That evening saw first the Party secretary, then the entire
Czechoslovakian Politburo, and finally most of the government
resign. On 25 November, Havel and Dubček again addressed the
masses, this time joined by Premier Ladislav Adamec who
promised to open a dialogue with Civic Forum. The next day saw
another self-induced purge within the party. On 27 November the
entire country came to a halt with the strike. The Party responded
with the admission that the Soviet invasion in 1968 had been a
grave mistake and promised a new coalition government and free
elections. The new government was announced on 3 December, but
it was unacceptable to Civic Forum because it contained only five
non-Communists in its twenty posts. 300,000 people displayed
their disapproval the next day in Prague. Four days later Adamec
resigned. Three days after that, on December 10, 1989, a mostly
non-Communist government was sworn in by the Communist
parliament. Twenty days later Vaclav Havel was elected
President in free elections.
Other East European states were also affected. In that same month the Romanian National Salvation Front declared itself in charge after the bloodiest of the 1989 revolutions. The former Communist Party leader, Nicolai Ceaucescu was caught and executed on 25 December. Elections were held a short while later. The fall of the German Democratic Republic also occurred in 1989, partly as a result of Hungary’s policy towards those East German vacationers wishing to emigrate to West Germany from Hungary, a policy which accelerated the deterioration of what little legitimacy the GDR’s regime had left. Only Bulgaria remained reasonably stable in December 1989, and then overturned the leading role of the Communist Party on the 15th of the following month. By the end of 1990, Communism had completely collapsed in Eastern Europe, a miracle that even the most optimistic observer of the Communist world would not have predicted a scant two years earlier. For the people of Eastern Europe, the Second World War had finally come to an end with the return of full national sovereignty.

The collapse of Communism in Eastern Europe, of course, has had widespread implications for the international system. Within two years, the success of the revolutions that began in Central East Europe in overthrowing the Communist governments of Eastern Europe signaled the end of the Cold War. Germany, which had been divided since its defeat at the hands of the Grand Alliance, was finally reunited. Europe, which had in effect been similarly divided, was once again joined and the resumption of
the trade patterns of the inter-war period have become a definite possibility. Even the membership of the three Central East European states in the European Community is being planned for the near future. The demise of the Cold War allowed the United Nations to act as a united body in dealing with Iraq's invasion of Kuwait in January 1991, which generated talk all over the world of a new world order. Hopes had been raised worldwide because the democratic movements that had created the Central East European revolutions had succeeded in returning full sovereignty to the states of Eastern Europe.

The Roots of the Revolution

Of course the events of 1988-1990 were not spontaneously generated, but were triggered by the lack of popular legitimacy that had plagued the Soviet satellite regimes since 1948. The legitimacy crisis in Eastern Europe, as it has become known in the literature, was a deep fault line under the political landscape that would periodically create minor tremors and major quakes. These incidents would always shake the very foundations of the political institutions that the Soviet Union and the various regional Communist Parties had erected. The epicentre of the political instability was almost always located in one of the three Central-East European states. Poland, Hungary, and Czechoslovakia had each been shaken prior to the revolutionary events of 1988-1990 with demonstrations, strikes, and revolts in response to the lack of credibility with which their ruling
regimes were cursed. What distinguished the events of the last decade from the past was that the revolt against the Soviet Model occurred in so many states around the same time, and, above all, that it succeeded.

The perpetual legitimacy crisis had two basic elements. First, there was no link between the system that was established by the USSR and the national traditions, identities, and social institutions of the states upon which it was imposed. Second, the Soviet Type economy was unable to provide a rational or satisfactory economic basis that would surpass, or even approach parity with, the standard of living enjoyed in Western Europe. The root of the political instability can be traced back to the very method by which the Soviet Model was introduced. "The Soviet system had been imposed rather than accepted, often brutally, by the Red Army onto the states of Eastern Europe."17 It was accomplished in the name of an ideology and a nation that were traditionally mistrusted by the majority of the Central East European people. There was a great deal of animosity to be found in the general public regarding what was perceived by the people as the continuing occupation of their countries. The only difference for most of these states was that the German Wehrmacht had been replaced by the Soviet Red Army after the war.

If the way in which the Soviet Model was introduced into the region was the root of the weed, then its alienness was the stalk. Communism, although existent as an ideology in the inter-war period, was not popular. There were two exceptions to this rule. Yugoslavia and Czechoslovakia both had strong indigenous Communist movements from before the end of the war, and the parties came to power almost completely on their own after 1945. Yugoslav, where the Communist partisans of J. Broz Tito were seen as legitimate heroes by a large majority of the population, soon departed from the Soviet Bloc as the result of a disagreement between Tito and the Soviet dictator, Joseph Stalin. Czechoslovakia soon joined the pattern of the other states when in 1948 the freely elected Communist government refused to hold elections and began to eradicate the opposition parties. The dismantling of the western styled parliamentary system only deepened the legitimacy crisis in Czechoslovakia and the rest of the region. In addition, the postwar revision of the Soviet border westward, a move that made Czechoslovakia and Hungary actual neighbours of the USSR for the first time, only deepened the resentment and fear felt toward Moscow by the states of the region. None of the East European Communist regimes could ever entirely dispel the public perception that theirs was an alien rule.

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18 The Communists did enjoy the support of the Soviet Union, which in Czechoslovakia was an added asset because the Soviet Union was seen as the only Allied power not responsible for the Munich agreement that was meant to appease Hitler in 1938. The other parties were linked to the French and British governments who were responsible for the agreement, and therefore suffered politically between 1940 and 1948.
Needless to say, it was a perception that American-led propaganda did its best to reinforce.

Sometimes when a weed grows, one is tempted to leave it in the garden because its flower is somehow appealing. The colour of the Soviet Model's flower, the economy, was not an example of such a case. While the legitimacy crisis centered upon the political sphere, it was exacerbated by the poor performance of the economy. Few analysts doubt that had the Soviet system been able to "establish a rational and satisfactory economic basis that would ensure high standards of living and at least approach popular expectations" the system might have been able to achieve acceptability, if not legitimacy. But instead of the economic growth that had been foretold by planners, an economic malaise had settled upon the entire system. It began with the rejection of the Marshall Plan by the Soviet Union and ended in the incredible economic crisis that brought about the 1989 revolutions. By

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19 Asmus, Brown, and Crane, p.15.

20 The Marshall Plan was an ambitious American initiative aimed at the reconstruction of the war ravaged economies of all of Europe, with the exception of Spain, and included the Soviet Union and the Soviet bloc. Despite the attendance of Soviet Foreign Secretary Molotov at the Paris conference in 1947, the USSR rejected the plan and forbade any of its new client states from participating. Part of the rationale for the Soviet rejection was the American insistence that it be given limited advisory powers in economic matters, which would require access to all information on the economy in each participating state. Although this was common practice, it was seen as insulting to a state of the USSR's stature. More importantly, however, the access to economic data for the states of the Bloc would have revealed the weak condition of the Communist states at a time when the Soviet Union was expounding the virtues of the Soviet model of economic recovery. See William R. Keylor, The Twentieth Century World (New York: Oxford University Press, 1984) pp.273-278.
1960, the difference between the post war recoveries of the two Europes was startling. Eastern Europe's per capita gross domestic product (GDP) was only just over half of that found in the states of Western Europe.\textsuperscript{21} In addition to the relatively poor economic performance, the adoption of the Soviet system of central planning distanced the economy from the needs of the population. The economic system was based upon a system of planning that set production targets according to the political and ideological plans of the regime, and completely abandoned the principle of consumer sovereignty.\textsuperscript{22} Each state's recovery was further hampered by the demands of the Soviet Union for goods that were to be exported to it by the satellites. The economic plans made certain that the required goods in the proper quantities were exported to the USSR each year regardless of the efficiency of such trade.

Added to the drain on the already weak economies of the region was the inherent corruption that the economic systems


\textsuperscript{22} The notion of consumer sovereignty holds that producers take cues from the demand of the market. Not only are prices determined in part by the demand demonstrated by a good, but tastes are dictated to the industry. If the consumers desire purple socks, then the market would signal the producers to increase the availability of purple socks.

In addition to price and taste, the market indicates what goods are to be produced. The demand for industrial goods is created through the demand for consumer goods that an industry provides.

In the Soviet system, the Central planners decided price, quantity, taste, and the availability of goods. The result was the creation of a black market and the creation of an unsatisfied group of consumers.
bred. Managers were promoted not because of their abilities in business, but because of their standing in the ruling party. Incentives which were based upon quantity or mass of goods produced created interesting production quirks. For example, when the incentive for a manufacturer of nails was based upon the quantity produced, the plant was able to double production by halving the physical size of its product. Unfortunately no one realized that the nails would then be too short to be used for their intended purpose, the construction of homes.23 Adding to the problems of inefficient planning were resource distribution problems. The allocation of resources generally favoured the interests that represented heavy industry and the military-industrial complex.24 As the economies began to stagnate in the 1950s and 1960s, the allocation of resources to the military and industrial sectors were not adjusted down. The result was the reduction of resources allocated to consumption and to research and development. The latter decision forced Eastern Europe to become technologically dependent upon the West.

In short, the economic system was inefficient and non-responsive to the needs of the consumer. The result was a polity that was not only politically frustrated by the Soviet Model of


24 See Keith Crane's booklet entitled *Military Spending in Eastern Europe* (Santa Monica: RAND Corporation, 1987) for an in-depth discussion of the actual share of the total budget in East European states devoted to military spending under Communist rule.
power, but was also dissatisfied with the economic conditions that existed under the Soviet-backed regimes. Difficulties in the availability of housing, the inability to improve the standard of living significantly, and the elimination of private ownership all had impacts upon the character of East European society. At the same time, freedom of speech was reserved only for those who spoke of the benefits of socialism, and therefore the complaints of the people were difficult to hear. The entrepreneurial spirit was forced underground. The arts were censored. Education was restructured in order to ensure the survival of the system. The role of the church, whether Orthodox, Protestant, or Catholic, had been curtailed under the official policies of atheism in most of the states. The most striking exception to this was Poland, where the Roman Catholic Church was able to remain a very strong influence.25

The frustrations felt by the populations living under the Soviet model meant that the regimes in Eastern Europe could not establish legitimacy through the political, economic and social structures they had created. Another means had to be found for the regimes to remain in power. There were two basic choices for the East European regimes, either reform the Communist system as applied to their individual state, or rely upon the weapons of the police state and the force of the Soviet Union to maintain

power. As long as Joseph Stalin was in power, the former solution was not truly an option. The Soviet leader believed that all Communist states must adopt the Soviet model for economic and political development. Stalinism, therefore, forced the regimes to entrust their survival to the might of the Soviet Union and to its ability to maintain a credible threat of military intervention.

The credibility of the Soviet threat came from the long standing Soviet, and before that Russian, belief that might could paper over any shortcomings in policy. The willingness of the Soviet Union to defend its sphere of influence was illustrated shortly after Stalin's death when a workers' demonstration took place in the German Democratic Republic on June 17, 1953. The revolt had begun in protest of poor economic conditions in general, and more specifically against the Ulbricht regime's delay in implementing certain economic policy changes, such as a change in investment emphasis away from heavy industry towards consumer goods. It developed into a call for greater political freedoms. When the demonstration turned into a riot, it was not left to the East German regime to regain complete control. The Soviet commander immediately declared martial law and deployed


28 Byrnes, p.687.
tanks and troops to crush the uprising and prevent any possible escalation. The GDR's regime did not collapse; the Soviets acted far too quickly for that possibility to occur. Some analysts, like Patrick Brogan, argue that had the Soviet Union not intervened, there was little chance that East Germany would have survived as an entity.\(^29\)

Three years later, in 1956, a much more serious challenge to Soviet hegemony occurred in Hungary and Poland as a result of Soviet de-Stalinization.\(^30\) De-Stalinization, of course, did not "lead to the immediate disintegration of the Stalinist system", but it did deprive it of the crucial psychological ingredient of fear that was shared by the "subdued populations of East Europe".\(^31\) The Soviet Union tried to replace its old East European policy with one that would nominally allow each state to adapt the principles of Marx and Lenin to its national reality.\(^32\) The new Soviet policy made the reform versus terror choice real. Some states chose to remain dependent on the institutions of the police state that had been created in Eastern Europe with the help of the Stalinist period, and also on the Soviet desire to maintain

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\(^{29}\) Brogan, p.30.

\(^{30}\) Brzezinski, 1960, p.181.

\(^{31}\) Ibid., p.153.

hegemonic control\textsuperscript{33} in order to deal with the popular dissatisfaction. Other states, such as Poland and Hungary, attempted to bridge the widening chasm between rulers and ruled through a series of reforms. The political voices in Central East Europe took this opportunity to complain about the decade of Soviet control, the fact that Soviet hegemony existed, the severity of Soviet domination, and the national humiliation and economic misery it had created. Discussions both at the popular and Party level also centered upon the disillusionment that had occurred over the lack of improvement in the political, economic, and social conditions in previous years. The change in the nature of Soviet rhetoric had a profound impact in Central East Europe. In Poland and Hungary there developed an almost national subconscious belief that communist rule might be transient and short-lived.

In Hungary the threat to Communism was much more direct than in Poland. In Poland the reform process was allowed to continue, but only after a tense moment. In Hungary the reforms were allowed to continue until they threatened the political monopoly that the Communist Party enjoyed in Eastern Europe. The Polish October began with a workers' protest in Poznan about the poor standard of living in Poland. The protests soon became riots to which the Polish regime responded with the deployment

of tanks, and the entire affair ended in a blood bath. The unrest spread, and Moscow's concern was evident by the rapidity with which a delegation, that included the Soviet Union's leader, Nikita Khrushchev, along with almost all of the other high ranking political and military figures, was sent to Poland. The Soviet leadership, on October 19, 1956, also ordered the Soviet troops garrisoned in Poland to march on Warsaw and encircle the Polish capital. It was rumoured that Polish authorities called out the army and even distributed small arms to a group of workers from Zeran. Some analysts argued that the Poles would have tried to resist Soviet interference.\textsuperscript{34} The Polish resolve was not tested, however, because Władysław Gomułka managed to convince Khrushchev that the regime could contain the situation. The Soviet leader reluctantly agreed, the Soviet garrison returned to barracks, and Gomułka, whom Khrushchev personally disliked, managed to calm the restless spirit of the people.

The Hungarian challenge was not resolved as peacefully. The seeds for the Hungarian Revolution were sown in the immediate post war era, and were fertilized by de-Stalinization and then, in the Spring of 1955, were watered when Matyas Rakosi was brought back to power in Hungary to replace Imre Nagy. Nagy had initiated a series of reforms in order to disarm "the bomb which Stalinism without Stalin had become in Eastern Europe".\textsuperscript{35} The

\textsuperscript{34} See Zamoyski, p.379.

\textsuperscript{35} Brzezinski, 1960, p.207.
"New Course" was meant to narrow the regime's legitimacy gap that was "a function of long repressed popular opposition to the Soviet Union and Communism". This was to be accomplished by addressing the problems that the imposition of the Soviet system in Hungary had encountered, and by adjusting the system to reflect the nation's character. It was a period of economic liberalization and political revisionism, bounded by the parameters of the Soviet model. Rakosi's return, which was engineered by the hard-liners in Hungary with the strong support of the Kremlin, brought with it a return to the strong-handed policies of the past.

The "revolt" began first with a series of student protests demanding the return of Nagy to power. The students were soon joined by the many intellectuals and intelligentsia who understood the need for reforms if the state was to develop more fully. The Hungarian military was also convinced that the Nagy path was preferable to the return to the old system being undertaken by Rakosi. The military, like most Hungarians at that time, sought cordial relations with Moscow, but not servitude. Within the Party itself the Nagy wing was growing. Many of the Communist faithful believed that the government must adapt to the needs of the people. At the same time the general public, which had

36 Gati, p. 39.

become disillusioned over the lack of improvement in the standard of living and in the low wage level, was receiving the message that the legitimacy gap would be bridged and that the regime could become more accountable.

Throughout the entire pre-revolutionary process, Rakosi failed to silence Nagy.\textsuperscript{38} Despite being out of power, and expelled from the party, Nagy continued to develop his ideas. Meanwhile the political situation changed when the Soviet Union decided to try to improve relations with Yugoslavia. As one condition for the normalization of Yugoslav relations with Hungary, Tito demanded that Rakosi be removed from the premiership. Rakosi was a staunch Stalinist, who initially felt uneasy in the era of de-Stalinization. Yet he, and the other hard-liners in the Hungarian Party, found that they could be both faithful to Moscow and to Stalinism because of the Soviet Union's new ideology of many roads to socialism. The split between the pro-Nagy faction and the conservatives grew when the Hungarian Party replaced Rakosi with Erno Gero following the July 17, 1956, visit of Anastas Mikoyan, the Kremlin's foreign policy troubleshooter.\textsuperscript{39} Gero was a stop gap measure. Four days later Mikoyan returned to Hungary to speak with Nagy, but despite the former's suggestion to the Hungarian ruling elite, the latter was not readmitted into the Party until October.

\textsuperscript{38} Brzezinski, 1960, pp.109-111.

\textsuperscript{39} Falkey, p.54.
On October 19, the Soviet tanks had moved on Poland, but had been ordered back to barracks by Khrushchev. On the 22 October a Hungarian students' rally was held to celebrate the Polish victory. The rally resulted in the formulation of a Students' Manifesto that began with the demand that all Soviet troops be evacuated from Hungary, and ended with the demand that free elections be held. In other words, the students demanded that the Soviet model be completely abandoned by Hungary. The return of full sovereignty was partly supported by Nagy who had concluded, long before he was rehabilitated by the Party, that a small state would have to be fully independent of any major power if it were going to be able to pursue its own interests. This of course meant that he was advocating the departure of Hungary from the Bloc. It was an idea that gained popular support, but was also totally unacceptable to the conservatives in Hungary, and to the Kremlin.

The next day, October 23, Gero, who had been visiting Tito in Belgrade, returned to Budapest to find a mass demonstration. Initially he ordered that the crowd disband, but then rescinded the order and announced that he would give a speech. The demonstration became a series of mass rallies that were fueled by a speech made by Nagy, who had no government standing, from a balcony of the parliament. The crowds were excited by the

40 Brogan, p.124.
41 Brezinski, p.220.
former leader's words, but the excitement turned to outrage when Gero addressed the crowd in harsh and uncompromising language. He called the demonstrators fascists, and warned that the demonstrations would be crushed mercilessly. Gero's speech turned the rally into a revolution. A group of protesters marched off towards the radio station to broadcast the students' manifesto. The government responded by opening fire from the station's roof, killing several people. Within hours the entire authority of the Hungarian government evaporated. That night the Soviet Union sent its tanks to reestablish loyal Communist control over Hungary and to prevent the de-stabilization of the entire Bloc. The Hungarians offered resistance for four days, during which 200 Soviet tanks were incapacitated. In the end, however, the Soviet Union regained control over Hungary.

Twelve years later, in 1968, Soviet hegemony was once again challenged by Central East Europe. Although there were disturbances in other states in the region in that year, notably worker and student unrest in Poland, the focal point this time was Czechoslovakia. Despite the twelve year time lag, the Czechoslovakian reform process was fundamentally created by

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42 Brogan, p.126.

43 The invasion of Hungary took place just five days after Nagy had claimed that democracy had been returned to Hungary, and the Soviet Union had announced its pledge to the states of Eastern Europe of "respect for the territorial integrity, state independence and sovereignty, and non-interference in one another's internal affairs". The events in Hungary did, however, return Nagy to the premiership. See Andrew Felkay, Hungary and the USSR: 1956-1988 (New York: Greenwood Press, 1989).
the same combination of forces that had shaped the events in Poland and Hungary in 1956. The Prague Spring, as the Czechoslovakian revolt has been called, began with the appointment of Alexander Dubcek to the position of Party First Secretary as the result of a prolonged Party crisis that had developed from the country's economic problems. Dubcek introduced a reform package that was meant to provide socialism with a "human face". The reforms began quietly with the publication of the 'Action Program', a document that proposed the rehabilitation of all those who had been persecuted for opposing the Communist regime, and announced vague plans for reforms that included the establishment of non-Communist Parties that would form a National Front to break the absolute monopoly of the Party without giving up the Communists' control of the government.

The Communist regime also surrendered its right to pre-censor the Czechoslovakian media, a step that allowed the press to wage a full scale campaign against the Party hard-liners in the early days of the Prague Spring. The Czechoslovakian reforms began to draw heavy criticism from some of the other East European regimes on March 23. Wladislaw Gomulka, the Communist leader in Poland, and Walter Ulbricht, the Communist

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44 Gati, p.43.
45 Brogan, p.94.
46 Ibid, p.95.
leader in the German Democratic Republic, argued at a hastily convened Warsaw Pact summit meeting in Dresden that Czechoslovakia was undermining the position of the Communist Party in Eastern Europe by allowing the Czechoslovakian press free rein. Leonid Brezhnev, the man who had replaced Khrushchev as the leader of the Soviet Union, expressed some concern, but was placated by Dubcek's assurances that his state would remain faithful to socialism. When Dubcek returned to Prague he tried to pull the press back but did not return to the policy of censorship.

"As the Spring wore on, the press used its new liberty to examine every corner of recent Czechoslovakian history, to debate every aspect of current policy—from economic reform to the need for the country to remain in the Warsaw Pact." Other groups joined in on the mounting attacks on the Czechoslovakian regime. Students, academics, workers, and peasants, Communists and the opposition parties all had some criticism to make about the way in which the country was run. Nothing was held as sacred, not the person of Dubcek, who could take criticism well, or of Brezhnev, who did not like to be criticized, nor even the Action Program's guarantee of the Communist Party's leadership position. Demands were being made for the abandonment of

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47 Ibid.

Communist rule. While the Warsaw Pact argued ever more strongly for the halt of the Prague reforms, domestic pressure on Dubcek was pushing him towards policy changes that would move farther and much faster than he had intended.

The Soviet threat became much stronger in May and June when the Warsaw Pact decided to stage large scale military maneuvers on Czechoslovakian soil. Officially the exercises were to give the Bloc's armed forces an opportunity to practise for a defence against German aggression. Unofficially the troops were preparing for intervention.\textsuperscript{49} The camouflage for the real purpose of the military's presence was an interesting choice, considering that Prague had expressed as part of a new foreign policy approach the desire for closer relations with West Germany. At the same time, events in Czechoslovakia began to gain a momentum that Dubcek could not slow. On 27 June, Ludvik Vaculik published his "Two-Thousand Word Manifesto" signed by leading artists, writers, intellectuals, athletes, and other prominent individuals that basically stated their support for Dubcek was dependent upon his continuation of the reforms that he had unleashed. Within ten days of the appearance of the "Manifesto", the Bloc leaders called a meeting in Warsaw. Dubcek declined the invitation to attend. The result of the meeting was the Warsaw Letter, a document that was a clear warning to Dubcek to halt the reforms. The "letter" called for the purge of reform elements

\textsuperscript{49} Brogan. p.96.
from the Czechoslovakian leadership. The "advice" was ignored by Prague. Gomulka and Ulbricht continued to argue that the events in Czechoslovakia constituted a real danger, not only to socialism, but "to the men at the helm in Moscow, Warsaw and East Berlin". The Soviet leadership, and most of the East European leadership as well, was becoming very impatient with Dubcek.

On July 27, 1968, Brezhnev met with Dubcek just inside the Czechoslovakian border with the USSR after the entire leadership of the Central East European state refused to travel to Moscow. The Soviet leader "submitted Dubcek to a torrent of abuse, accusing him of every crime from treachery to counter-revolution" and pushed the Czechoslovakian leader for definite assurances that Soviet interests would not be ignored. The meeting ended with an agreement of sorts. Dubcek would attend a Warsaw Pact meeting in Bratislava one week later, and the Soviet Union would remove the troops that had remained after the Warsaw Pact exercises had concluded.

The Bratislava conference occurred in early August, with the Soviet Politburo and the leadership of the other Warsaw Pact members (excluding Rumania) meeting with the Czechoslovak Communists. Dubcek gave assurances that the reform movement

50 Laquer. p.453.

51 Brogan, p.99.
would by slowed. One week later, with little visible change in Czechoslovak domestic policy, Moscow invited Alexander Dubcek to the Kremlin. A banquet was arranged in his honour, and Dubcek gave a speech that made an odd impression upon the Soviet leadership. Dubcek appeared to fully accept the position of the Kremlin leadership, but indicated no plan to stop the "counter-revolution" going on in his country.

Prior to the Moscow visit, but after Bratislava, the Hungarian leader, Janos Kadar, warned Prague that an intervention was coming if the reforms were not halted. At the same time, the Warsaw Pact began unscheduled exercises along the Soviet-Czech border. Dubcek may truly have accepted that the reforms had to be stopped after Bratislava, but by that time the Prague Communists had lost control of the reform process. They could only watch as the Soviet Union intervened in Czechoslovakia on the night of August 20, 1968, with the help of other Warsaw Pact forces. One year later, in Warsaw, the Soviet leader, Leonid Brezhnev announced the basic ideological justification for the intervention. The basic principle was that the USSR had the right to intervene in any state in which Socialism was threatened. This notion became known in the West as the Brezhnev Doctrine.

As if the legitimacy crisis existed in a twelve year cycle, Communism was once again seriously challenged in Central East

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52 Gromyko, p.233.
Europe in 1980. For the third time in twenty-five years, Polish workers protested the increase in the price of food. In order to end the strikes that gripped Poland, the ruling PUWP agreed to allow an independent, non-government trade Union, Solidarity, to be established. By the end of its first sixteen months of legal existence, the Trade Union had "evolved into a multi-faceted campaign to democratize all social institutions and establish new associations free of Party supervision". By 1981, Solidarity publicly endorsed democratic elections to the Peoples' Councils and to the Polish parliament. In the wake of the Gdańsk agreement that legalized the independent trade union, Poland's Communist Party began a series of reforms. Edward Gierek was replaced by Stanislaw Kania as Poland's leader. At the IXth Party Congress held in July of 1981, the delegates were voting by secret ballot, and beginning to dismantle some of the Party apparatus.

The Soviet Union watched the events in Poland with alarm just as it had at first watched developments in Czechoslovakia in 1968. By December 1980, one year after its invasion of Afghanistan, the Soviet Union was holding large-scale military maneuvers near the Polish border. One year after the replacement of Gierek, General Wojciech Jaruzelski, who had served as Poland's Defence Minister from 1968, was elected to the post of


54 For example, seven of the eight members of the Central Committee were not re-elected by the Congress.
Party leader while maintaining his positions as Prime Minister and Defence Minister. The Warsaw Pact was quick to point out that Poland was, is, and would be a socialist state, while Brezhnev pledged to stand by Poland during her troubles.\textsuperscript{55} As Solidarity continued to gain momentum, and became ever bolder in its demands, the Soviet Union made up its mind. Since Moscow could not risk the challenge it perceived to its sphere of influence spreading from Poland to the rest of Eastern Europe, or worse, into the Baltic Republics, a crack down had to be ordered. In early December, the Soviet and East German forces were massed along the Polish borders. At an unscheduled Pact meeting the leaders of the GDR and Czechoslovakia attacked the Poles for risking the de-stabilization of the Bloc.

On December 13, 1981, the Jaruzelski government declared martial law and shortly thereafter banned Solidarity. There is some uncertainty as to the exact source of the martial law order. Some believe that Jaruzelski had suggested the plan in order to prevent a Soviet intervention.\textsuperscript{56} Others suggest that it was the Soviet Union that decided it could not afford to intervene with its own troops because of the logistical problems involved, and therefore either ordered or suggested that Jaruzelski impose

\textsuperscript{55} Gati, pp.48-52.

\textsuperscript{56} Brogan, p.66.
martial law. In any event, Jaruzelski acted with the blessings of Moscow to suppress the pro-democracy movements in Poland. According to General Viktor Dubrynin, the Soviet general in charge of the Red Army stationed in Poland, it was only Jaruzelski’s action that had prevented a Soviet intervention from occurring on the very next day.

The Soviet leadership had first felt that it had to establish an ideological justification for its interventionary policy with regard to Eastern Europe after the Hungarian Revolution in 1956. Another justification was deemed necessary following the Soviet intervention of Czechoslovakia in 1968. The latter became known as the Brezhnev Doctrine, although it did not state anything radically different from the words used by Nikita Khrushchev twelve years earlier to defend the USSR’s interventionary policy in Eastern Europe. The Brezhnev Doctrine was never formally declared, but was instead derived from a collection of justifications that Western analysts brought together under that name. The foundation of the Doctrine was laid in a speech to the Polish Party Congress on 12 November, 1968, Brezhnev explained that when:

57 Charles Gati suggests that the Soviet Union was convinced that the Poles would fight against Soviet troops and that one year after Afghanistan it was unwilling to get involved in a military operation in Eastern Europe. He also argues that the Kremlin was not terribly anxious to have to justify its crushing of another state’s proletariat. Gati, pp.51-52, or Edmonds, pp.196-203.

internal and external forces, hostile to socialism, seek to reverse the development of any socialist country whatsoever in the direction of the restoration of the capitalist order, when a threat to the case of socialism arises in that country, a threat to the security of the socialist commonwealth as a whole—this ... becomes not only a problem of the people of the country concerned, but also a common problem and the concern of all socialist countries.\textsuperscript{59}

In effect, the Doctrine dictated that the western border of the Soviet Union touched the Federal Republic of Germany, with the countries of Eastern Europe only enjoying a limited sovereignty. If the satellite states ever forgot that fact, the USSR was willing to remind them with force.\textsuperscript{60}

It was a doctrine that appeared to be in effect until 1988. When one considers the precedents that the Soviet Union had set with regards to the defence of its sphere of influence in Eastern Europe, one begins to wonder if the collapse of the Soviet Bloc in 1989-1990 was a miracle. The USSR had used the Red Army to suppress revolts in the GDR, Hungary and Czechoslovakia, and been prepared to similarly crush democratic movements in Poland on two separate occasions. Yet in 1988 and 1989, when the revolutions started and began to gain momentum, the Soviet leadership did not threaten Central East Europe, but instead appeared to hesitantly and cautiously approve the reform process.

\textsuperscript{59} Pravda, 13 November, 1968, as quoted by Edmonds, p.72.

\textsuperscript{60} Norman Davies, Heart of Europe (Oxford: Oxford University Press, 1984) p.33.
In the early weeks of 1990, when it became clear that the entire Bloc was going to collapse, taking Soviet hegemony with it, the USSR took no military steps to prevent it. The world was shocked, and relieved. No one had predicted that the August strikes in Poland, in the Summer of 1988, would lead to the complete defeat of Communism in Eastern Europe. It is doubtful if such a possibility even crossed the mind of a single western analyst of the Soviet system at the time.
Chapter 2:
Explanations for the Soviet Decision Not To Intervene in
Eastern Europe

The Search for Explanations

For such a startling event as the collapse of Soviet hegemony over Eastern Europe to occur, one or more of the factors that determined Soviet action in the international arena must have changed significantly from 1968, the last time the Soviet Union had intervened, and 1981, the last time the USSR appeared ready to use force. Similar to all states in the international system, foreign policy in the Soviet Union was created both in response to the changing international environment, and in response to the interaction of domestic factors. In a paper entitled "The Internal and External Determinants of Soviet Foreign Policy: A pre-Theoretical Analysis," Daniel Kempton identifies the various factors that formed foreign policy in the USSR, by adapting James Roesenau's work on pre-theories of foreign policy. According to Kempton, Soviet foreign policy was always conditioned by the external environment, and was "self-described as a function of the global struggle between the socialist and capitalist worlds". The emphasis in the East-West

61 Nogee and Donaldson, pp.10-62  and Staar, pp. 3-49.

context, with which the Soviet Union viewed the international system, was almost entirely on the USSR's competition with the United States for global prestige and power. The remainder of the factors that determined the policies that the Soviet Union chose to pursue were internal. The domestic factors that Kempton identifies are divided into the following general catagories: the personal characteristics of the leader, the nature and interests of the collective leadership, the structure of the government, and the values of Soviet society. Some or all of these sources, must have been affected by profound changes that made the Soviet Union decide not to intervene in the Central East European Revolutions.

The key concern of Soviet foreign policy, since the Second World War, had been the Soviet-American relationship. The USSR placed this relationship in the context of, to use their term, the "Correlation of Forces," which is roughly synonymous with the concept of balance of power. One of the stated objectives of Soviet policy was to achieve military superiority over every conceivable combination of opponents, with defence from the United States and its allies being of the foremost concern. During the early 1980s, the balance shifted in favour of the Americans and the West when US President Ronald Reagan

63 Barry and Barner-Barry, p.295.

undertook the largest military buildup in peacetime in the history of the United States. By the time Reagan's first term ended in 1984, the USSR perceived itself to be at a military disadvantage. Traditionally, when the USSR was faced, "with a preponderance of power, Moscow found it expedient to minimize points of conflict with its adversaries and to pursue a policy of accommodation". The Kremlin decided that it needed a respite from the bitter cold winds that had begun to blow anew from the West.

The Soviet leadership sought shelter through a change in foreign policy that was meant to bring about the renewal of Détente, a foreign policy that was expected to buy the time needed to catch up to the American buildup. The change in policy was initially one of style rather than substance, or to borrow from Dimitri Simes, one of conduct, but not of content. The message remained basically the same, while the speech became more eloquent and the vocabulary more accommodating. While the USSR's international rhetoric spoke of the need for the entire world to embrace new thinking in foreign relations, it continued to pursue policies that were increasing the tensions between East and West. On the night of 24/25 December, 1979, the USSR had intervened in Afghanistan to prop up a satellite regime that was

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65 Nogee and Donaldson, p.307.
67 Ibid.
under threat from a coalition of rebels. In 1985 the Soviet Union had continued to increase its military involvement, and by 1986 the Soviet Union had committed the highest number of troops to the operation. Also in 1986, the Soviet Union promised the Syrian government that it would assist "in the strengthening of [its] defence capability" after the United States raided Libya in April of that year in retaliation for Colonel Qaddafi's involvement in what the Reagan White House called state-sponsored terrorism. Moreover, from 1985 until 1987, while the Soviet Union repeatedly stated that a nuclear war had to be avoided at all costs, Soviet military doctrine continued to state that a nuclear exchange could be won by the Soviet Union, and the military had not abandoned the scenario of a Soviet first strike.

It was not until the end of 1987 that a shift began to occur in the actual content of Soviet foreign policy. In the area of Soviet-American relations, the Soviet Union began to change its stance on strategic arms reductions. Prior to 1987 the Soviet Union had insisted that any agreement on nuclear weapons, more specifically the Intermediate Nuclear Force Reduction Treaty,


69 Simes, p.490.


could only be signed if it included a nuclear test ban treaty, and the American abandonment of its "Star Wars" defence program. By the end of 1987, the Soviet Union had decoupled Star Wars and the test ban treaty from the INF talks so that nuclear reductions could occur.\footnote{See John Barrett, "Soviet Arms Control and Disarmament Policy Under Gorbachev: Some Observations" in Lisa Alibutt (ed.) Perestroika, Glasnost and International Security Occasional Paper #8, Programme in Strategic Studies, University of Manitoba, February 1989. pp.81-94.} In December, 1988, Gorbachev's approach to arms control reached an unprecedented point when he announced at the United Nations a plan to unilaterally cut Soviet forces by 500,000 over two years, including the removal of six tank divisions from the GDR, Czechoslovakia, and Hungary. \footnote{Lenard J. Cohen, "Gorbachev's Westpolitik in Eastern Europe: A Quest for Security without Stagnation" in Alibutt.} Soviet military doctrine also began to change in 1987. The notion that a nuclear war could be won by the Soviet Union was replaced with the realization that such a war had to be avoided at all costs, and the Correlation of Forces that had made military superiority over all possible antagonistic coalitions the goal of Soviet force levels was redefined to allow the Red Army to seek only military sufficiency for its defence. This meant that as long as the Soviet military had enough fire power to effectively deter an aggressor, it was not necessary to continue the nuclear arms race. The shift away from a nuclear emphasis is said to have come about when the USSR's military planners realized that a nuclear war was the only scenario in which Soviet territory could be devastated.
Given the change in the balance of power, one might be tempted to assume that the Soviet Union was hesitant to use force in Central East Europe out of fear that such an act would jeopardize the Détente that the Kremlin needed to have in order to catch up with the US in the arms race. Such a conclusion would ignore the fact that the shift in military emphasis away from nuclear warfare would only have increased the military value of Eastern Europe as a buffer zone between the USSR and its most likely opponents, conventional forces in Western Europe. Wolfgang Pfeiler argues that the Soviet military never accepted that the West would never become an aggressor, even after 1987. To surrender Eastern Europe, which could later be used either as a staging ground for invasion, or which could be recruited in a future war against the USSR, would have been illogical. Such an assumption would also ignore the fact that while East-West relations, and struggle for Super Power dominance, may have been the key concern in the Soviet view of international affairs, Eastern Europe was the central pillar in the Kremlin's foreign policy.

Both the initial change in the style and the subsequent change in substance of Soviet foreign policy have been attributed, in the West, to the rise of Mikhail Sergeivich Gorbachev to the post of General Secretary of the CPSU. Gorbachev succeeded Konstantine Chernenko officially on 11 March, 1985, upon the latter's death, but did not completely consolidate his position of power until early 1987. Gorbachev had been described by Andrei
Gromyko as a man with a nice smile but iron teeth, a choice well able to lead the Soviet Union in its initial charm offensive, and it immediately became apparent after Gorbachev's emergence as leader that a "skillful public relations effort [had] become an important component of Moscow's diplomacy". Gorbachev immediately approached Soviet-East European relations in a fresh manner by acknowledging Soviet culpability for mismanaging past Soviet-satellite relations, and for failing to avert past crisis situations. Yet the change in language did not mean that the Kremlin intended to abandon the fundamentals of Soviet foreign policy.

Gorbachev had repeatedly stated after coming to power that he, like his predecessors, considered the "core Soviet strategic, ideological, and economic interests to be invested in Eastern Europe". The first step Gorbachev took in his East European policy was to bring about in April 1985 the renewal of the Warsaw Pact Treaty for a twenty year period, with a near automatic ten year extension on top of it, despite Romanian

74 Simes. p.477

75 Pravda, June 29, 1988.


77 The Warsaw Pact was a military alliance created in 1955 in response to the creation of the North Atlantic Treaty Organization. It provided for a unified military command, dominated by the Soviet Union and, under the terms of the mutual cooperation and assistance treaty that established it, allowed the Soviet Union to solidify its hegemonic control over Eastern Europe.
protests that a simple ten year extension was sufficient, and general East European dissatisfaction with what was in effect a thirty year renewal.\textsuperscript{78} There was little indication in the first two years of Gorbachev's reign that the Brezhnev Doctrine would be abandoned. During an address at the June 1986 Polish Party congress, Gorbachev used language very similar to that used by Brezhnev in discussing Soviet-East European relations.\textsuperscript{79} He used the occasion of the Polish congress to issue a thinly veiled warning to those elements that might have been tempted to challenge Soviet hegemony:

...socialism now manifests itself as an international reality, as an alliance of states closely linked by political, economic, cultural and defence interests. To threaten the socialist system, to try to undermine it from outside and wrench a country away from the socialist community means to encroach not only on the will of the people, but also on the entire postwar arrangement, and, in the final analysis, on peace.\textsuperscript{80}

The message was clear: any changes in Soviet East European policy that made Soviet domination more benign, did not mean that the Kremlin would allow the collapse of the Soviet sphere of influence to occur. Based upon his initial approach to Eastern Europe, it is unlikely that the Kremlin leadership under Gorbachev

\textsuperscript{78} Vladimir Kusin, "Gorbachev and Eastern Europe" \textit{Problems of Communism} volume 35, number 1, 1986, p.40.

\textsuperscript{79} Staar, p.45.

\textsuperscript{80} Pravda, July 1, 1986, as quoted by Simes, p.487.
intended to change the basic tenets of Soviet East European policy.

In 1987, the Soviet Union changed the emphasis in its approach to maintaining hegemony over Eastern Europe from military to economic. The change in the controls to be used in Eastern Europe coincided with the changes in the Soviet approach to arms control and defence policy. The new Kremlin East European policy was meant to ensure the continuation of the Soviet empire by making Eastern Europe even more dependent upon the Soviet Union. The policy called for the renaissance of the Council for Mutual Economic Assistance (CMEA) and for the creation of joint enterprises on a bilateral basis, both of which were to increase the USSR-East European trade link, while decreasing, but not eliminating, the Soviet military presence by 50,000 men and 5,000 tanks. Despite the changes in the Soviet Union's policy towards Eastern Europe, it was still uncertain as to how the Kremlin would respond to the Central East European revolutions. This uncertainty was visible during the formation of Poland's first non-Communist government since the Inter-War

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81 Carl. McMillan, "Soviet Efforts to Restructure the CMEA: The Case of Regional Energy Relations" in Aurel Braun (ed.) The Soviet-East European Relationship in the Gorbachev Era (Boulder: Westview Press, 1990, pp.26-27. The CMEA was the trading bloc between the Soviet Union and its satellites that was intended to be both a response to the Marshall Plan and an attempt to boost the economies of the Communist states in Eastern Europe.

82 This means that roughly ten percent of the unilateral cuts announced by Gorbachev at the United Nations was to come from the troops stationed in Eastern Europe.
Period. In August 1989, Poland's General Jaruzelski had felt it necessary to seek Gorbachev's approval for such a step. Around the same time as Poland received approval for Mazowiecki's Premiership, the Czechoslovakian Party hard-liners had been surprised when the Soviet Union refused their requests for assistance when their grip on power began to slip.\textsuperscript{83}

The extent of the role that Gorbachev played in the creation of foreign policy is difficult to ascertain due to the complex and closed nature of the USSR's political system. The apex of decision-making, both in foreign and domestic policy, was the Politburo. The Politburo was the highest body of the CPSU, which shows the total control that the Party had over the government. Soviet domestic politics was a complicated interaction of political interests, factions, and coalitions which was full of intrigues and maneuverings.\textsuperscript{84} While it was true that the leader held a great deal of power, including the power to appoint and expel Politburo members, he did not have a free hand in policy making. He still needed the support of the majority of the important political players in order to stay in power.\textsuperscript{85} The tendency is to look at foreign policy as the one area in Soviet politics where the leader had the greatest freedom of action.

\textsuperscript{83} Hawkes, p.27 & p.118.

\textsuperscript{84} Nogee and Donaldson, p. 43.

\textsuperscript{85} David Jones, "The Soviet Military, Perestroika and Arms Control" in Allbutt, p.104.
because there were fewer political interests at stake, but in fact domestic politics played an extremely strong role in the shaping of foreign policy, even to the extent that foreign policy was said to have emerged almost exclusively from the interaction of the Soviet decision makers, representing a "variety of personal and institutional perspectives and involving the simultaneous resolution of a number of domestic and foreign issues".\footnote{Nogee and Donaldson, p.43.}

Since the Politburo did not take minutes at its meetings, it is impossible to get a feel for the role that Gorbachev played in the change in foreign policy. It is possible that he was resisted at every step, in which case his foreign policies emerged as his position became more secure, or some domestic factors were determining policy for him. Gorbachev played a starring role in the change of the Soviet system, but were his lines studied or ad libbed? As a Russian politician, he had a non-traditional approach to Soviet politics. Like all long-term survivors of the Soviet political system, Gorbachev was malleable. He frequently changed his positions on issues and his political style depending upon the people around him, or situation he found himself in.\footnote{Sheehy, pp.10-11.} He was appointed to the Politburo by Brezhnev in November of 1978, and had Yuri Andropov, then head of the KGB and Brezhnev's successor, as his political patron.\footnote{Andrei Gromyko, \textit{Memories} (London: Hutchinson, 1989) p.340.} Moreover, it was Andrei Gromyko
himself who put the motion to the leadership of the CPSU that Gorbachev be elected General Secretary. Gorbachev could not have risen through the Party ranks without being a good member of the CPSU. Since the Politburo is the decision-making body in the USSR, both for domestic and foreign policy, Gorbachev would have been a part of the debate in 1981 over the Soviet response to the Solidarity challenge.\textsuperscript{89}

Unlike his peers, Gorbachev was not stiff, and had the ability to charm every Western leader he met, including the old Cold Warrior, Ronald Reagan. Gorbachev was also flexible in mind, being able to accept new approaches to solving problems. He rose quickly through the Party ranks because he was both politically cunning, and intellectually strong.\textsuperscript{90} He was committed to the preservation of the USSR's Super Power position, but also recognized the need for change in order to cope with the problems facing the Soviet Union. If Gorbachev was the key factor in the abandonment of the Brezhnev Doctrine, as many in the West argue, then the fact that Soviet foreign policy did not show any change in its substance in Gorbachev's first few years could only be explained by the unsecured position that the new leader must have had prior to 1987. Gorbachev spent his first two years in office removing political obstacles to his policies and replacing

\textsuperscript{89} See Donald D. Barry and Carol Barner-Barry, \textit{Contemporary Soviet Politics} (Englewood Cliffs: Prentice-Hall, 1987) for their discussion of the Politburo's role in decision making.

them with his supporters. In July, 1985, he removed Y. K. Romanov from the Politburo. In 1986, he replaced many of the top military personnel with younger less doctrinaire officers.\textsuperscript{91} That same year he increased the size of the Politburo so that the number of reformers and moderates was greater than the number of conservatives, a step that would lead one to believe that Gorbachev did not want to enter into a full-fledged battle with the hard-liners by trying to remove them. Once the conservative elements were neutralized, the argument goes, real changes in Soviet foreign policy could occur.\textsuperscript{92} Yet even after 1987, and until the dissolution of the Warsaw Pact in the Summer of 1990, Gorbachev continued to stress the importance of Eastern Europe to Soviet interests. The question is whether the continued emphasis on Eastern Europe was due to Gorbachev’s own conceptions, or due to the fact that Gorbachev never gained complete control over the Party.

Gail Sheehy, in her biography of Gorbachev, outlines the events in March 1988 when the conservatives rigged the conditions for a coup d’état.\textsuperscript{93} A letter to the editor of the conservative newspaper Sovietskaya Rossiya was reworked and published as a rallying cry in defence of Stalinism. Yegor Ligachev, the Party ideologue and champion of the conservative

\textsuperscript{91} Simes, p.480.

\textsuperscript{92} See Stear, p.45, for an example of this thinking.

\textsuperscript{93} Sheehy, p.309.
cause, called together the members of the mass media elite, applauding the letter as an example for all to follow. Sheehy states that it was Ligachev in fact who had instigated the entire affair, but that Gorbachev could not take the conservatives' hero head on. Instead the Soviet leader isolated Ligachev through "consultations" with the different power blocs, carefully freezing Ligachev out. Then at the April Party Plenum, Gorbachev removed Ligachev. Gorbachev's closest ally, Alexander Yakovlev at the time remarked that the reformers had crossed the Rubicon. The problem, according to Sheehy, was that they landed not in safety, but at the potential prospect of civil war. Of the entire Soviet hierarchy, only three men, Gorbachev, Yakovlev, and Shevernadze, were completely committed to the cause of the reformers. The remainder of the Soviet leadership was split between backing the conservatives and being hesitant supporters of the liberals.

The rise of Gorbachev also had an impact on the interpretation and application of the ideology of the Soviet Union, a factor that was partly created by the historic traditions of the USSR, and partly developed by each successive leadership in the Kremlin. Ideology has been identified as a determinant of Soviet foreign policy, although there is some debate as to its actual impact. Analysts such as Richard Staar, and to a lesser degree Joseph Nogee and Robert Donaldson, argue that ideology was an important determinant of policy. For Staar, ideology played a very

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94 Nogee and Donaldson, p.44.
important role in the formulation of Soviet foreign policy after 1985, just as it had in the satellization of Eastern Europe in 1945.  

He believes that the Soviet ideological concept of the inevitability of war between the Communist and Capitalist worlds, the Correlation of Forces, and the desire to export the Revolution abroad were major factors in the creation of foreign and military policy. Nogee and Donaldson support the notion that ideology played an important role because of its interactive and circular relationship with policy. They see Communist doctrine as being constantly upgraded to suit the needs of policy, which would indicate a flexibility with respect to the interpretation of Marxist-Leninist dogma. They argue that the real importance of ideology is that all of the CPSU hierarchy, and all the members who wished to rise in the Party ranks, were exposed to an indoctrination process that made ideology a relevant force. After all, only good Party members were promoted to positions of real power.  

Assuming the view that ideology was a factor is correct, the Soviet Union's annexation of Eastern Europe was explainable by the fact that the power vacuum that existed there immediately after the Second World War tempted the USSR to export the revolution abroad, after which Soviet hegemony was maintained in the name of defending socialism against counter-revolutions.

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95 Staar, pp.67-69.

96 Nogee and Donaldson, p.38.

97 Gati, p.8.
Other analysts argue against the allocation of that much importance to ideology in the making of foreign policy. Writers such as Samuel Sharp, Donald Barry and Carol Barner-Barry, and to some degree Robin Edmonds and Charles Gati, argue that ideology only provided sugar coating for the bitter pill of Super Power high politics. Edmonds and Gati argue that ideology was less important than Nogee and Donaldson believe. Gati points to the easy manner in which Soviet leaders were able to switch their interpretation of Soviet ideology to suit the USSR's interests at any given time as an indication of the relative unimportance of ideology. Edmonds agrees with Gati, arguing that the defining factor for Soviet Foreign policy was the USSR's national interests. For Edmonds, the ideological justification was an afterthought. The reason that a post-fact justification was needed has been explained by Barry and Barner-Barry. The "doctrinal ornamentation" was used to convince the population that the regime was acting in a manner that was consistent with the principles of Communism, thus granting legitimacy to the CPSU's monopolistic political power in the USSR. However, these analysts seem to feel that ideology was still a consideration, even if it only served to adjust the policy format. Samuel Sharp, however, goes even further to state that whatever

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99 Edmonds, p.221.
100 Barry and Barner-Barry, pp.33-34, 293
its domestic purpose, ideology played no role whatsoever in the creation of Soviet foreign policy, arguing that every aspect of foreign policy can be explained through the national interest.  

The Gorbachev leadership consisted of the least ideological combination of men, the majority of whom could be described simply as technocrats, yet at the same time ideology played an important role throughout the 1985-1990 period. The Soviet leader pursued policies that were very pragmatic, while also making sure that he continuously based his policies on interpretations of Leninism. Although Gorbachev invoked Lenin's name to justify his actions, he was also unraveling some of the Soviet founder's own basic principles. The notion that war between the West and East was inevitable disappeared from the various ideological statements made after late 1986. The stated goal of exporting the Socialist revolution abroad also faded from the scene. They were replaced with the Khrushchevian principle that the two political systems could peacefully coexist, and that ultimately all nations of the world would choose socialism when they were prepared for it. Instead, ideology was used to reassure


102 Nogee and Donaldson, p. 35

103 Staar, p. 46.

104 A read through Gorbachev's book, Perestroika, makes this strikingly clear.
the Soviet polity that all of Gorbachev's policies had some foundation in Leninism, a process that every leader since Lenin undertook.\(^{105}\) Although the change in the interpretation of ideology may have decreased Eastern Europe's value as a territorial buffer, surely the demise of the Soviet Bloc would have been a blow to the Soviet Union's prestige by damaging the legitimacy of Marxism-Leninism.

None of the factors so far mentioned seem sufficient to explain the Soviet Union's decision to abandon the Brezhnev Doctrine. While these factors no doubt contributed to the change in the fundamental principles of Soviet East European policy, it seems at least possible that some additional policy determinants were also involved. Since Eastern Europe did not suddenly become redundant to Soviet interests, some other factor or factors must have changed the Soviet Union's East European policy. One can eliminate the idea that the USSR was not physically capable of undertaking a military intervention. In 1990, the US Defence Department reported that the Soviet Union still had thirteen mechanized rifle and twelve tank divisions stationed in Eastern Europe, with an additional twelve mechanized rifle and four tank divisions positioned near the USSR's western border.\(^{106}\) However, the possession of physical capability does not guarantee that a

\(^{105}\) Barry and Barner-Barry, p.23.

state has the necessary resources required to support an intervention.

Perhaps the key to the abandonment of the Brezhnev Doctrine is to be found in the forces that raised Mikhail Gorbachev to the pinnacle of Soviet politics. By the time Brezhnev died on 10 November 1982, it was said that everything in the USSR was in decline.\textsuperscript{107} There is no doubt that Brezhnev was a conservative in Soviet domestic politics, and that his eighteen years in power were the most stable in a Soviet leader's history. It was a stability that had been bought, in large part, by the confirming of every possible privilege upon the Communist ruling elite and through the rejection of economic modernization.\textsuperscript{108} Corruption was rampant throughout the Party, and many believed that it was time the CPSU strengthened Party discipline. A similar approach would be taken towards falling worker productivity. The election of Yuri Andropov, instead of Brezhnev's protégé Konstantine Chernenko, indicated that the Soviet leadership may have believed the stagnation in the Soviet Union had to be dealt with. It is believed that Andropov's plan was to re-energize the USSR's fading red star through a program of increased worker discipline, primarily in the form of an anti-alcoholism campaign, and through the elimination of Party


\textsuperscript{108} Edmonds, p219.
corruption.\(^{109}\) The Soviet state, as Andropov put it when he came to power, had a budget of 500 billion rubles, and the level of corruption in the USSR meant that the entire sum was being paid by the state to the state.\(^{110}\) Andropov's inability to secure his political position against the hard-line conservatives who opposed his anti-corruption policies, meant that he was able to accomplish very little before his death in February, 1984.

Chernenko succeeded Andropov as leader of the USSR. During the thirteen months that he held power, Soviet Politics returned to the Brezhnev era. Chernenko's death in 1985 opened the door for Andropov's disciple, Gorbachev, to take the throne of the last great empire on 11 March 1985. When the Gorbachev leadership took power, they were cognizant of the fact that they had inherited a country "in a state of material and spiritual decay".\(^{111}\) Gorbachev was, in a manner of speaking, given a mandate to change the direction of the Soviet Union's development. His initial approach to curing the ills of the country included the same approach to the economy as that of his patron. He seemed to initially believe that greater sobriety and increased worker discipline was all that was needed to fix the ills of the

\(^{109}\) Heller and Nekrich, p. 672.

\(^{110}\) Sheehy, p.182.

\(^{111}\) Bohdan Krawchenko, "Glasnost and Perestroika" in Allbutt, p. 9.
USSR. This would certainly coincide with the nominal changes in Soviet foreign policy that occurred during the first two years of Gorbachev's reign. As Gorbachev's tenure continued, he became more and more aware of the depths of the economic crisis. Did the Soviet leadership come to believe that it could not afford to maintain its East European empire because of a deterioration in the Soviet economy?

Economics, however, had never been a determinant of Soviet foreign policy in the past, especially not where the East European empire was concerned. According to Keith Crane, the USSR had been partially subsidizing the East European economies from the beginning of the postwar period, and had increased the subsidization in the 1970s through the intra-Bloc terms of trade, generous trade credits, and low interest loans. Cost had never deterred the Soviet Union from the preservation of its empire. No amount of economic benefits, it was said, would have been accepted by the rest of the Soviet elite, or by Soviet society, as adequate compensation for the loss of Soviet imperial greatness. The stagnation of the Soviet Union's economy had

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113 Simes, p.478.


115 Simes, p.478.
existed since the end of the Brezhnev era, but that did not prevent the Kremlin from invading Afghanistan, or supporting the Polish imposition of martial law. Soviet foreign policy had never been significantly affected by the state of the Soviet economy in the past.

Yet economic considerations were not irrelevant to the evolution of Soviet foreign and East European policy, it may be argued. As has already been indicated, Gorbachev believed when he came to power that the economy could be stimulated by minor reforms and by slight adjustments in international postures. Soviet international behaviour, of attempting to warm East-West relations through a change in the style of Soviet foreign policy reflected this belief. Detente with the West thus originally had the objective of buying time to play military catch-up, and took on a different coloration only when, late in 1986, Gorbachev came to the realization that the Soviet economy was in much deeper trouble than he had first thought. With that realization came the recognition that among the economic reforms there would have to be a reduction in defence spending, both for its own sake and in order to allow the development of much needed trade with the United States and the industrialized West in General.

Eastern Europe was relevant in this connection in two ways. First, since the West had always been more willing to export technology to the Soviet satellites than to the Soviet Union itself, there was the possibility that the decreased tensions
would quickly result in an increased trade flow-through from Eastern Europe which would prove a significant stimulus for the Soviet economy. Secondly, and more fundamentally, friendly overtures from Moscow were unlikely to be taken seriously in Washington or Bonn at the same time military tools of hegemonic control were brandished at Warsaw or Prague.

The hypothesis of this study is, therefore, that the Soviet non-intervention in Eastern Europe between 1988 and 1990 was caused largely by the pitiful condition that the Soviet economy had reached by that period. When the Gorbachev leadership became aware of the full extent of the economic problems they faced, they became willing to jettison Eastern Europe in the hope that the elimination of that major expense, along with the benefits derived from the end of the Cold War, would help revitalize the Soviet economy. If this hypothesis is correct, then the Soviet economy must have deteriorated significantly from the beginning of the 1980s at most, or from the late 1960s at least. The balance of this paper will attempt to demonstrate that this was indeed the case.

Methodology

If one is to discover whether the state of the economy was the key factor in the Kremlin's selection of a non-interventionary policy, it is important to analyze the data that Soviet foreign policy makers would have been familiar with when they were faced with the renewed crisis in Central East Europe. For that
reason it is necessary to base the analysis of the performance of the Soviet economy on the official economic statistics of the Soviet Union. While this step does leave the data open to the distortions inherent in the Soviet system of data collection, which over-estimates the true performance of the Soviet economy, it will show the "reality" with which Soviet foreign policy makers were faced.

To determine if the condition of the Soviet economy could have been the key factor in the Kremlin's non-interventionary East European policy of 1989-1990 it is necessary to make a comparison between the state of the Soviet economy the last time the Soviet Union intervened and the period of the Central East European revolutions. Since it was likely, but not entirely certain, that the Soviet Union would have invaded Poland during the first Solidarity challenge if it had felt this to be necessary, the base period to be used in the comparison starts in 1968, when the Soviet Red Army invaded Czechoslovakia. Therefore, the statistics from 1968-1970 will be compared to the Revolutionary period, exactly twenty years later, to see if a substantial change in the Soviet economy did occur. The first period starts with the Prague Spring and ends in a year that witnessed worker unrests in Poland. After this three year period, the Communist rulers in Eastern Europe were notably more sensitive to the importance of consumption goods relative to the legitimacy crisis they faced. The use of a three year segment will also help to smooth any anomalies from the data. In between the two periods, the data for
1978-1980 will provide the study with a reference point to see how any changes between the variable studied may have developed. The median years also almost coincide with the Solidarity crisis in Poland that saw the imposition of martial law in 1981.

There are nine economic indicators which will provide a good picture of the condition of the Soviet economy in each of the three time periods. They are: Net Material Product (NMP), Industrial Output, Agricultural Output, Gross Investment, Accumulation Rate, Exports/Imports, Real Wages, Consumption, and Military Spending. Together these figures will show the economic reality that the various Soviet administrations were faced with at each point in Soviet-East European relations. All of these indicators will be measured as both a percentage change from the previous year and as a percentage of the 1968 figure, with the data from 1968 being equal to 100, calculated from the official Soviet rates of growth. In addition, the absolute values of the indicators will be reported wherever possible. Traditionally, the Soviet elite relied upon the data expressed in terms of percent growth from the previous year and which was based on constant prices. Although absolute figures are available for some of the data, they are highly unreliable. The problem is that the absolute figures are based upon the price levels in the USSR in the given year. Since the ruble used for the measure is not of a constant value, one must adjust the value of the economic indicators by the percent change that occurred in the general
price levels in order to make a more accurate comparison. The reliability of the new values is still suspect because the USSR determined price levels artificially. For example, the USSR's official statistics report that there was no inflation from 1960 to 1978. This was achieved by the central planners arbitrarily deciding not to allow the price level to change.\textsuperscript{116} While prices may have been held constant, costs of production may have changed without affecting the price level if the government provided subsidies. Such mirror tricks make the totals reported extremely unreliable.

The most prominent indicator in Soviet economic planning is the Net Material Product. The NMP was used by the Soviet Bloc as the measure of national income, and reflected the Marxian notion that since services do not create anything of lasting worth they should not be included in national output since the workers in that sector are basically unproductive.\textsuperscript{117} The NMP is defined as the total value of material production in terms of final sale price, net of depreciation of fixed assets. Although it does not provide the same level of information on the total economy that Soviet GNP would offer, it was the measure used by Soviet


foreign policy elites and therefore is more valuable to this study of Soviet decision-making.

Industrial Output and Agricultural Output are also very important indicators of the health of the Soviet economy. Along with Gross Investment they provide a good composite of the shape of the economy. Related to this last measure is the Accumulation Rate. Accumulation Rate measures the percentage of the NMP devoted to investment. Not only does this figure show how much of the economy was being devoted to the future, it also indicates how much of production was being devoted to maintaining the system. The smaller the accumulation, the greater the percentage of NMP used to keep the economy functioning at that time.

The levels of Soviet Exports and Imports and the direction of Soviet trade may provide some critical information. Total trade figures, as well as a breakdown to East-West trade and inter Bloc trade will shed some light on the USSR's economy. Since the USSR has traditionally pursued a policy of self-sufficiency, changes in Soviet imports from the West is an important variable. Exports from the USSR were basically used to cover the Soviet need for hard-currency. Soviet trade with Eastern Europe is a slightly different matter. At various points in the history of the relationship Eastern Europe was treated as a source of consumption goods for the USSR. At other times trade was used as a means of reinforcing the Soviet influence over the
regimes in this region by trying to make the East European states more trade dependent upon the USSR.

The remaining three indicators that will be used to measure the strength of the Soviet economy, in the attempt to link its performance to the demise of the Brezhnev doctrine, all have problems with their measure. Although, the Real Wage can be used along with Consumption to indicate the lot of the Soviet consumer, it is highly price sensitive and is not a very efficient measure because the price index in the USSR is difficult to work with. Measuring military spending in the USSR is an extremely difficult prospect in which official Soviet figures are almost useless. Since the USSR hides much of its military budget in other sectors this measure will be based upon American intelligence estimates. Since the military was the sacred cow of the conservative elements of the Kremlin, large changes here not only effect Soviet capability but also give a good indication of the state of the economy.
Chapter 3:
A Look at the Soviet Economy: 1968-1990

Findings

The principal Soviet indicator of the health of the USSR's economy is the Net Material Product (NMP). The NMP is a measure of national income similar to the Western measures of Gross Domestic Product (GDP) or Gross National Product (GNP) except that it does not measure any services that do not assist in the production of a material good. The Kremlin leadership would have looked at the performance of the NMP to get an overall feel for the direction in which the economy was moving. It must be reiterated that the figures were not an accurate measure of national income, but they were numbers that the Soviet elite had at their disposal. Using the official statistics, the Soviet elite saw that in 1988 the total NMP produced by the USSR had reached 625 billion rubles, a figure 381 billion rubles larger than the NMP total for 1968, and 202.5 billion larger than in 1978. (See Table 1.) This would indicate a substantial growth, but these figures are distorted by the fact that they are measured without the use of a constant price level.

The Soviet economic planners had officially held constant the domestic price level from 1960 until 1978. Unofficially, planners were able to increase prices by introducing new products that were supposedly improved versions of existing goods. Since the product was said to be different, a higher price
Table 1: Soviet Net Material Product and West German Gross Domestic Product

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<td>289.9</td>
<td>422.5</td>
<td>438.3</td>
<td>458.5</td>
<td>625.0</td>
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<td>adjusted for prices</td>
<td>243.1</td>
<td>261.7</td>
<td>289.9</td>
<td>422.5</td>
<td>433.9</td>
<td>444.7</td>
<td>568.8</td>
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<td>9.0</td>
<td>5.1</td>
<td>2.2</td>
<td>3.9</td>
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<td>3 yr avg % growth</td>
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<td>3.7</td>
<td></td>
<td></td>
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<td></td>
<td>0.9</td>
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<tr>
<td>1968=100</td>
<td>100</td>
<td>104.8</td>
<td>114.2</td>
<td>174.8</td>
<td>178.7</td>
<td>185.7</td>
<td>235.6</td>
<td>241.2</td>
<td>231.6</td>
</tr>
</tbody>
</table>

| FRG GDP % growth | 7.3 | 8.0 | 5.1 | 2.9 | 4.2 | 1.4 | 3.7 | 3.3 | 4.7 |
| 3 yr avg % growth | 6.8 | 2.8 | 3.9 |     |     |     |     |     |     |
| 1968=100 | 100 | 108 | 113.5 | 140.5 | 146.4 | 148.4 | 169.8 | 175.4 | 183.6 |

Source: United Nations Economic Commission for Europe, derived directly from the national and CMEA statistics. The data presented in relation to the 1968 base year is calculated from the annual rates of growth reported by the USSR to the UNECE.
could be charged without affecting the price index, but since the old product was no longer produced, prices actually did increase. In 1979 official prices began to rise, making a difference between the nominal and real growth of the economy. Adjusting for the change, the economy still grew by 325.6 billion rubles from the time of the Prague Spring until the start of the Revolutions, and grew by 146.3 billion rubles since 1978. Soviet planners, however, based their analysis on the annual percent change of the indicators representing the performance of the economy. The rate of growth of the economy slowed down over the twenty-two year period covered by this study. Over the first three year period, the average rate of growth was 7.4%. During the second period the economy only grew by 3.7%, and during the Revolutions, the economy grew on average by less than 1%. Moreover, in 1990 the USSR's official statistics reported the Super Power's first negative growth. Prior to that the slowest annual change had been 1.6%, recorded in 1981 and 1985. In 1990 the economy shrunk by 4%.

To put this into perspective, a very rough comparison can be made between the performance of the USSR's NMP and the rate of change of the GDP or GNP of a Western state. Although the difference between GNP and NMP can be substantial, it is possible to draw an extremely rough parallel between the growth rates of
the two indicators. The state selected for this comparison is the Federal Republic of Germany, a West European state that many consider to be an economic Super Power. Using 1968 as the base year, and compounding the percent growth that occurred, it would appear that the Soviet economy outperformed the West German over the twenty two year period. While the German GDP had not yet doubled its 1968 level, the USSR's NMP had grown by around 131.6% of its 1968 level. Unlike the USSR, Germany had experienced two negative growth years, though the worst of these measured a decrease of only 1.6% compared to the Soviet Union's 4% in 1990. However, the service sector of the Soviet economy was said to have lagged far behind the other sectors. Since services are not included in NMP calculations, the growth rates were probably far closer than they appear.

The two main sectors of the Soviet economy were industry and agriculture. (See Table 2.) The gross industrial output of the Soviet Union mirrored the behaviour of the NMP, but performed at slightly better levels. If one uses 1968 as the base year and measures growth from it by compounding the annual percentage growths, then by 1989 Soviet industrial output had grown by 182.9%, which can be very roughly compared to the growth of the FRG's industrial output of only 63.4% for the same period. The rate of growth of the industrial sector in the USSR declined

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118 For example in 1985 the Soviet net material product was 66% of the NMP of the United States, while the Soviet gross national product was only 51% of the American GNP, see Gardner, p.22.
Table 2: Soviet Industrial and Agricultural Output

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<tr>
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<td>66.7</td>
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<td>142.3</td>
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<td>10.4</td>
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<td>142.7</td>
<td>155.8</td>
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<td>172.4</td>
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</table>

Source: United Nations Economic Commission for Europe, derived directly from the national and CMEA statistics. The data presented in relation to the 1963 base year is calculated from the annual rates of growth reported by the USSR to the UNECE.
throughout the period so that the 8% growth of the first three year period was halved by the second period, and only averaged a 1.5% rate of growth from 1988-1990. Similar to the performance of the NMP, industrial growth recorded its first negative value of the period in 1990 when it declined by 1.2%. This decline followed what had been the worst growth rate of the period studied, 1.7% in 1989. Nonetheless, by 1990 a comparison of the growth in Soviet gross industrial output and NMP shows that industrial output grew 48 percentage points faster, relative to the respective base year values. Soviet gross agricultural output did not perform nearly as well as the industrial sector had. The three year average rates of growth were 3.8%, -0.8%, and 0.1% for the three periods studied. Agriculture was the most volatile of the sectors of the Soviet economy, experiencing negative growth on nine occasions since 1968. The poor performance of the agricultural sector was such that from 1968 to 1990 its output only grew by around 40%.

Three indicators have been chosen to provide a better insight into the performance of the Soviet Union's economy. (See Table 3). The output of Soviet steel, grain and energy were considered to be key sectors by Kremlin planners, with energy being sub-divided into the production of electricity, coal, and oil. In 1968, the total output of the steel industry was 106.5 million tons. By 1988 the output of the steel industry in the USSR had
### Table 3: Soviet Production of Selected Goods

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<tr>
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<td>150.3</td>
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<td><strong>Grain</strong></td>
<td>% change</td>
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<td>15.0</td>
<td>21.3</td>
<td>-2.4</td>
<td>5</td>
<td>5.5</td>
<td>-7.7</td>
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<td>3yr avg</td>
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<td>110.2</td>
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<td>105.8</td>
<td>111.6</td>
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<td><strong>Electricity</strong></td>
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<td>1.0</td>
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<td>3 yr avg</td>
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<td>8.0</td>
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<td>-4.2</td>
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<tr>
<td><strong>oil</strong></td>
<td>% change</td>
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Source: United Nations Economic Commision for Europe, derived directly from the national and CMEA statistics.
The data presented in relation to the 1968 base year is calculated from the annual rates of growth reported by
the USSR to the UNECE.
reached 163.0 million tons,\textsuperscript{119} an increase of 53% compared to the 1968 figure. Then in 1989, output decreased by 1.8% from the previous year, and fell another 3.8% the following year, so that by the end of 1990 the USSR produced 9 million tons less steel than in 1988, a drop of 3.8%. Over the course of the first decade, steel production increased by over 42%, but only increased by 7.5% over the second decade. By the end of the entire twenty-two year period, steel production had reached 144.6% of its 1968 level. The production of steel is a misleading indicator because it was a top priority for the economy. The system claimed high rates of production, but the figures included steel produced through unprofitable means, and output which was of a low quality. Nonetheless, the high priority of steel production made it an important indicator for Soviet decision makers.

Grain production in the Soviet Union had peaked in 1978 at 237.4 million tons. The next year production fell sharply by 24.5%. From 1968 to 1989, the production of grain grew at very unsteady rates. While Soviet grain production did increase over the period encompassed by this study, the rate of growth in the second decade did not come near to the growth of the first decade. The average growth in grain production in the first period was 8.5%, in the second the three year average was 0.8% and in the third period the average was only 0.3%. In 1978, Soviet grain

production had expanded by over 40% from a decade earlier, yet by 1988, Soviet grain production was less than a quarter more than its base year level, which is a decline of 11% from the 1978 figure. The crop primarily responsible for the Soviet Union's grain output was wheat, which also peaked in 1978, and its fluctuations could be said to match those of the total grain production of the USSR.

The growth of the Soviet energy sector was varied. While the production of electricity and oil increased by a fair percentage over their 1968 levels throughout the period studied, growth rates for coal production had steadily declined from 1980 onwards. The Soviet Union generated an average of 689.4 billion kWh a year from 1968-1970,¹²⁰ and the production of electricity grew by 8%, on average, in the first three year period. The production of electricity doubled its 1968 level by 1980, and was 170% of the base year amount in 1990. The rate of growth, however, was slowly declining throughout the period. The growth of Soviet oil production slowed by an even greater margin. While electricity increased by 88% and 42% over the two ten year periods, oil production increased by 85.9% and then by 9.2%. The production of oil also decreased by 54.3 million tons, 4.4%, between 1968 and 1990. Soviet coal production had the worst rates of growth of the three energy industries. Coal production

rose by 20.3% between the start of the first and the beginning of the second periods but only increased by 3.9% from 1978 to 1988. The performance of all five of these key goods show that the Soviet Union's economic growth had slowed as the time of the revolutions drew near.

The role of exports and imports in the Soviet economy was quite different to that in the West. Initially, Soviet leaders believed that trade did not benefit both states. According to Communist ideology, there was a winner and a loser in trade. The Soviet Union tried, for several years after the Second World War, to make itself, and failing that its empire, self sufficient. The attitude of the Soviet leadership towards trade meant that the USSR only imported goods for two reasons. First, the USSR said that it bought imports from its global allies to aid their economies, and second, it purchased goods abroad that it could not produce domestically in sufficient quantities. Exports similarly played two roles in the Soviet economy. One, exports were meant to help the economies of its allies. Two, exports were meant to raise hard currencies so that imports could be bought. The rate of growth in the volume of Soviet exports decreased from 1968-1970, through 1978-1980, to 1988-1990. The three year averages dropped from an 8.6% growth down to 1.9% in the first ten years, and exports shrank by 1.5% on average in the last three years. The rate of growth in Soviet imports also declined from period to period. The three year average growth rates decreased from 9.2% to 7.3% to 2.8%. Both exports and
Table 4: Soviet Export and Import Volumes

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<td>7.3</td>
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<td>330.9</td>
<td>361.7</td>
<td>343.6</td>
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| FRG       | % change | 14.0 | 17.0 | 5.8 | 3.2 | 4.3 | 5.1 | 5.5 | 9.9 | 8.6 |
| exports    | 3yr avg | 12.3 | 4.2 |     |     |     |     |     |     |      |
| by volume  | 1968=100 | 100 | 117.0 | 123.8 | 191.9 | 200.2 | 210.4 | 283.0 | 311.1 | 337.8 |
| imports    | % change | 6.0 | 21.0 | 14.9 | 6.3 | 9.8 | 3.8 | 5.8 | 8.6 | 9.4 |
| by volume  | 3yr avg | 13.9 | 6.6 |     |     |     |     |     |     |      |
|           | 1968=100 | 100 | 121.0 | 139.0 | 209.9 | 230.5 | 239.3 | 282.1 | 306.3 | 335.1 |

Source: United Nations Economic Commission for Europe, derived directly from the national and CMEA statistics. The data presented in relation to the 1968 base year is calculated from the annual rates of growth reported by the USSR to the UNECE.
imports by volume collapsed in 1990, the former falling by 14% while the latter only by 5%. Measuring these two sectors against the performance of the economy of the FRG, one finds that West Germany doubled the volume of its exports from 1968 to 1979 while the USSR only recorded an 85% growth. By 1990, West German exports rose 237.8% over the 1968 level compared to 118.0% for the USSR. More significant, the growth of West German exports roughly matched the growth in imports over the twenty-two year period, while Soviet imports grew almost twice as fast as Soviet exports measured by volume. However, this widening gap was not reflected in the values of Soviet trade.

The value of Soviet imports, measured in US dollars, grew by 1,280% over the same period and exports grew by 1,083.7%, which is an average growth of 12.6% and 11.9% per annum respectively. (See Table 5). In 1968, the value of the goods the USSR exported was US $8.75 billion, with US $1.93 billion directed towards Western Europe, or 22% of total exports. In that same year, exports to the other CMEA states were valued at US $5.64 billion, or 64%. Twenty years later the value of exports to Western Europe was US $27.25 billion and US $54 billion to Eastern Europe, representing 24% and 48% of total exports respectively. Soviet imports underwent a similar change with respect to their origin. In 1968 imports from the rest of the Soviet Bloc were worth US $5.64 billion and only US $1.98 billion from Western Europe. Twenty years later the values had grown to US $57.96 and US $29.96 billion. At the time of the intervention
### Table 5: Value of Soviet Exports and Imports by Direction (US$ Billion)

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<td>28.13</td>
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<td>6.76</td>
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<td></td>
<td>58.17</td>
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in Czechoslovakia, the USSR imported 64% of its goods from Eastern Europe, and 23% from Western Europe. By the start of the Central East European revolutions, the share had become 54% and 28%. In both cases, exports and imports, the rate of growth in the value of goods being traded slowed down, with the value of goods exported by the USSR decreasing over the last three year period.

The discrepancy between the performance figures for Soviet trade by volume and the data measured by value is an interesting point to note. While Soviet trade by volume had grown by 117% in exported goods and 262% in the volume of goods imported from 1968 to 1990, the value of the goods exported and imported grew by 1,083% and 1,280% respectively. While the data presented for Soviet trade measured by value is a reasonable indicator for the general direction of Soviet trade, it is a far less reliable statistic when it comes to measuring the performance of Soviet trade, especially concerning trade with the other members of the CMEA. The lack of reliability is due to what can only be called creative accounting. One fundamental problem in measuring the value of goods traded is the lack of a true exchange rate between the ruble and the so-called hard-currencies because the ruble was not convertible. The rates of exchange fluctuated at the whim of the Soviet economic planners, and therefore were meaningless. Soviet trade with the West was done either in Western currencies, that is the goods were purchased or sold by the Soviet Union with its hard-currency reserves, or it took the form of an
exchange of goods. For example, the Soviet Union bartered its vodka for Western soft drinks. Of course the problem as to how one was supposed to determine the value of such an exchange remained. Unless the good was a product that was commonly traded, such as oil, and therefore had a price determined by the world market, it is difficult to assign a real value to the goods that were exported by the Soviet Union.

CMEA trade was even more difficult to accurately measure in terms of value. In addition to the problems found in Soviet trade with the rest of the world, Soviet trade with the satellite states had some additional problems. The trade figures were not consistent from one state to the next. For example, exports reported in state A's trade yearbook as going to country B did not always show up in country B's official statistics as imports from state A. Another problem was that CMEA trade was based upon the concept of a transferable ruble, which "in reality was neither a ruble nor [was] it transferable", but a simple accounting tool, used to assign an "artificial value to goods exchanged in old-fashioned barter deals".\textsuperscript{121} One joke, that was inspired by the manner in which the CMEA states measured the value of trade among themselves, had a government official receiving a promotion for increasing Soviet exports with Hungary by US $200 million. When asked by his friend how he had achieved such a large increase, he replied that he had sold the Hungarians a dog.

\textsuperscript{121} Gati, p.114.
When his friend then asked him how he had managed to convince the Hungarians to pay such an outrageous price for a dog, the government official confided that he had, in turn, given the Hungarians his word that he would buy from them two cats at US $100 million apiece within a month.

The unreliability of the data based on the value of exports and imports as a measure of Soviet trade performance is that the Soviet Union's main exports to the West were gold and oil. Since the world price of these two commodities rose sharply in the 1970s and declined in the 1980s, the effect on the value of trade is a distortion that makes Soviet trade by value look quite different then the statistics based on the volume of goods exported and imported. The statistics do, however, provide a reasonable indication of the direction in which Soviet trade moved, and some information on the performance of the Soviet trade economy.

So far the data presented have not shown the state of the economy from the consumer's perspective. Table 6 shows the rates of growth of the Soviet average nominal wage, statistical real wage, statistical real per capita income, and consumer

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122 It is important to note the distinction made by economists between statistical real wage and real wage. Statistical real wage measures the nominal wage divided by the price level. Real wage, technically, measures the actual purchasing power that the wage brings. Real wage, therefore, is affected by the availability of goods. If one cannot buy goods, then the real wage is lower than if goods were actually in stores at the listed prices. The same type of distinction is true between statistical real per capita income and real per capita income.
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<td>264.6</td>
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Source: United Nations Economic Commission for Europe, derived directly from the national and CMEA statistics. The data presented in relation to the 1968 base year is calculated from the annual rates of growth reported by the USSR to the UNECE.
prices. Taking the last statistic first, one sees that consumer prices, officially, were relatively stable. In fact, no inflation was reported by Soviet statisticians from 1950 to 1977, after which modest changes in the price level did occur. According to the official data, nominal monthly wages increased by 79.8% from 1968 to 1978, and 58.8% from 1978 to 1988. At the same time consumer prices practically did not change over the first ten year period, and only rose 14% by 1988. The Soviet Union reported that the growth of the real wage over the same period was 40.8% and 19.5%, while per capita income rose 54.9% and 28.1% over the same two ten year periods. Based upon these figures, Soviet leaders would have been led to believe that the Soviet consumer was in a much better position when the Central East European Revolutions began.

Table 7 shows the rates of growth of Soviet total NMP produced, allocated NMP, NMP allocated for consumption, NMP allocated for accumulation, and the growth of gross investment. The total NMP produced, as mentioned earlier, is the net total income of the Soviet Union gained from the production of material goods. Allocated NMP, or NMP domestically used, is the amount of the total NMP allocated for use within the Soviet Union. Put

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123 Inflation can take on three forms. Open, reported inflation is the inflation that shows up in the official data of a state. Hidden inflation occurs when a new product is introduced to replace an existing product, with no change in quality, but at a higher price. Repressed inflation is when the availability of goods decreases with no change in the administered prices, which causes the real increase in the price level to be manifested in queues or rationing. For a more complete discussion see H. Stephen Gardner, p.37.
Table 7: Soviet NMP used for Domestic Consumption and Accumulation

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<td>2.2</td>
<td>3.9</td>
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<td>2.4</td>
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Source: United Nations Economic Commission for Europe, derived directly from the national and CMEA statistics. The data presented in relation to the 1968 base year is calculated from the annual rates of growth reported by the USSR to the UNECE.
another way, it is the amount of NMP left in the country after being adjusted for the visible movement of goods to and from other states. The adjustment is made based on the balance of trade, or the subtraction of the value of exported, and the addition of the value of imported, goods to total NMP production. NMP allocated to consumption is a straightforward concept. It is the amount of the NMP that has been allocated to the production of consumption goods. NMP allocated to accumulation is slightly more complicated. It measures the amount of NMP that was directed towards fixed investment, plus the change in stocks of goods, measured in terms of NMP. Finally, gross investment is net investment plus amortization.

Domestically used NMP in the USSR grew at roughly the same rate as total NMP produced, with the former growing by only 9.3 percentage points less from 1968 to 1989. The total NMP allocated for consumption grew at a rate that was even faster than that of total NMP, being 146% of the amount allocated in 1968. The average annual percent growth in the first period of total NMP was 7.4%, but the amount used domestically grew by 8.9%. The increase in the NMP allocated to consumption in that first period was 7.5%. In the second period the average for the three year period of total NMP produced by the USSR grew faster, relative to its base figure, than the NMP used in the USSR, 3.7% to 3.5%, but the NMP allocated to consumption continued to grow at the faster rate of 5%. Measured in terms of growth from 1958, the total NMP produced in 1980 was 85.6% more, NMP used
domestically grew by 82.2%, and that allocated to consumption grew by 88.4% over the twelve year span. By 1989 the three year average growth was only 0.9% for total NMP, while the domestic allocation grew by an average of 3.9%, with a 4.8% growth in NMP allocated to consumption.

The NMP that was allocated to accumulation, however, did not grow nearly as fast as the NMP consumed. While the three year average growth in the first period was 12.5%, that dropped to 0.6% in the second period before rising to 1.4% in the last period. Compared to the 1968 level, the 1980 figure only represented a growth of 66.7% compared to the 82.2% and 88.4% growths in the NMP used domestically and allocated to consumption. By 1989, the growth was 111.3% percent of the 1968 figure, lagging over twenty percentage points behind the growth of Soviet NMP used at home and over thirty-four percentage points behind the NMP that was allocated towards consumption. Moreover, the rate of growth in NMP directed towards accumulation was negative in six of the twenty-two years. At the same time, total NMP allocated for domestic use and for domestic consumption remained positive throughout the entire period, according to official data, and total NMP produced recorded its only negative growth over the time frame studied in 1990.

Gross investment in the first three year period averaged a rate of growth of 7.6%. In 1978, gross investment had risen 83% above the 1968 level, but over the course of the 1978-1980
period, only grew by an average of 2.9%. By the start of the Central East European Revolutions, gross investment increased by 48.8% over the previous decade, and was 172.9% of the 1968 figure. In 1989, gross investment grew by 4.7%, which followed the 1988 annual percent change of 6.2%. However, in 1990, gross investment was decreased by 4.3%, which is the first negative growth reported at least since 1968. The three year average for the third period is 2.2%, but the average for the first two years of the period is around 5.5%. When one examines the rates of growth in the five years prior to Gorbachev, the average annual percent increase was 3.5%. This would seem to indicate that gross investment was re-emphasized under Gorbachev in 1985.

Hidden by the official figures are a number of factors that make the data unreliable. Some of these have already been discussed. Three important influences that have not yet been mentioned, but must be discussed, are double entries, over reporting, and inflationary overhang. The size, and growth, of the Soviet NMP is distorted, first of all, by the manner in which it was calculated. Net material product is determined based upon the net production of goods, which means that the value of certain products can be counted more than once in the statistics. For example the value of some wood boards can be counted once when they are first cut and a second time when they are put together as a book shelf. The double entries may make the economy appear to grow faster than it actually had. The second distortion was due to over reporting. The Soviet Union, like other
centrally planned economies, used incentives to ensure that plant managers, and workers, would reach the output levels that the planners allocated for them. For this reason, production figures were often inflated to meet the incentive criteria. Sometimes goods were produced that were inferior in quality simply to meet the production quotas assigned. The government ministries that supervised the various state enterprises turned a blind eye to such practices because it was also in the best interests of the bureaucrats for the targets to be met by the industries for which they were responsible. Advancement in the Soviet system depended upon Party loyalty, the proper contacts, and good job performance, which meant that reaching the economic targets set was important. The third distortion in the reporting of statistics for the economy was created through the lack of a price mechanism. Instead of prices being set by supply and demand, prices were determined by the central planners. Since prices were kept nearly constant by central planners, while nominal wages increased, the official real wage increased over the twenty year period. In reality, however, real wages fell. The reason for this was a hidden and repressed inflation which created cash balances in the hands of the population, or the inflationary overhang, while the availability of goods actually decreased. The degree of hidden inflation was, in effect, measurable by the length of the lines in front of the store. The longer the lines the greater the degree of hidden inflation.
The inflationary overhang created one more distortion that should be mentioned, the shadow economy. Goods and services can be bought through the black market and through exchanges of goods and services between private individuals in any economy, and the USSR was no exception. The shadow economy of the USSR was very well developed. H. Stephen Gardner devotes several pages to its existence in a textbook on comparative economics.¹²⁴ For example, if a window in an apartment broke during the winter, the occupant had two choices: contact the government repairmen who would handle the job after several weeks, or contact an individual who would do the job after hours, acquiring the needed materials either through illegal connections or through theft.¹²⁵ Needless to say, the after-hours economy was not a part of the official statistics. Had the shadow economy not existed, the growth of the economy would have had a different pattern. However, there are no methods available to researchers that will estimate accurately the NMP produced by the illegal economy, or the price changes in this economy.

The final indicator of the strength of the Soviet economy to be studied is military spending. The allocation of resources to the military is difficult to discover because not all of the expenditures were included in the official figures reported by the

¹²⁴ Gardner, pp. 285-289, 300-306

¹²⁵ Gorbachev acknowledged the size of the shadow economy in a speech that appeared in Pravda on March, 17, 1986. The reference had to do with the need to "crack down" on the widespread instances of bribery, theft, and fraud.
USSR's statisticians. Many of the military purchases were hidden in other budgetary allocations. According to a RAND corporation study conducted by Keith Crane, published in 1987, Soviet military spending in 1980, calculated in rubles, was only 95.5% of the amount spent in 1970, with the allocation falling from 17.9 billion to 17.1 billion rubles. These figures would indicate that in 1970 the USSR allocated 6.2% of its total NMP produced towards the military and only 3.7% of total NMP produced in 1980. The US department of defence in 1990, however, indicates that some estimates made by Soviet economists suggest that as much as 25% of the Soviet GNP was directed towards the military sector, and Yegor Ligachev, who was Gorbachev's loyal right-wing ideologue in the Politburo, stated in 1990 that the USSR spent 18-20% of its NMP, approximately 13-15% of its GNP, on the military. In 1989, Gorbachev claimed that the Soviet Union spent 77.3 billion rubles on defence, a number that was four and a half times greater than previous figures, and representing a percentage of total NMP produced of around 15%. The 1989 expenditure acknowledged by the Soviet leader, however, was only half the amount estimated by Western intelligence agencies. The exact expenditure level may not even be known by the Soviet

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128 Ibid. p.34.
leadership because some of the items that were procured with potential military applications in mind were actually produced for other purposes. Such goods were chosen for their versatility in application, rather than their efficiency in functioning for their stated purpose. For example, tractors could be produced for use in the agricultural sector, with the exact model being selected because of its adaptability to towing a mobile missile launcher or for transporting Soviet armour units.

The United States Department of Defence reported in 1990 that Soviet military spending in that year was higher than when Gorbachev came to power in 1985. The American defence community conceives, however, that Soviet military spending fell 4-5% from 1989 to 1990 according to intelligence estimates. Further, in the Spring of 1989 the Soviet leadership announced plans to cut spending by 14.2% by the end of 1991. Later in the same year, the USSR announced plans to cut between 30% and 50% of its military spending by 1995. The exact level of the Soviet national income spent on defence throughout the time frame of this study is unclear, but was probably somewhere around the percentage that Gorbachev and Ligachev suggested for the late 1980s. While the figures presented are imprecise, they probably are representative of the expenditure figures that the Soviet decision-making elite had available to them at the time the decision not to intervene in the Central East European Revolutions was made.
Chapter 4:
Analysis of the Data

What the Official Numbers Tell Us

Once again, it should be reiterated that the Soviet economic statistics were unreliable, but it should also be noted that the inaccuracy of the USSR's official data was not lost on the Soviet leadership. In the 1950s, Nikita Khrushchev indicated publicly that the economic figures reported during the years of Stalin's leadership exaggerated Soviet industrial production. The next Soviet leader to make such an admission was Gorbachev, who in 1988 stated that, once vodka sales and the high oil prices that had existed during the later years of the Brezhnev era for Soviet petroleum exports were removed from the calculations, there had been no real growth in the Soviet national income for twenty years.129 Nonetheless, the Kremlin leadership had no other set of indicators by which it could judge the performance of the economy. The only data available to them was, unfortunately for the USSR, the inaccurate official statistics. The government figures indicated that the rates of growth for the Soviet economy had been in decline throughout the entire twenty-two year period encompassed by this study. From the time of the intervention in Czechoslovakia, the economic power of the Soviet Union had been

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129 Bohdan Krawchenko, "Glasnost and Perestroika: An Overview" in Allbut, p.10.
dissipating. The declining growth rates of the total NMP produced was a clear indication that the economy was in some difficulty.

Although no analyst seems to have done so, one might be sorely tempted to place the blame for the deterioration of the rates of growth of the economy completely on the very broad shoulders of the huge military expenditures made by the USSR throughout the period encompassed by this study. Some analysts, in fact, argue that insufficient attention has been given to this factor, and that generally, the role of military spending in the Soviet economy has been underestimated in the West. Lee Badgett, in the preface to a RAND note published in 1988, comments that Western economic models for the USSR have been based too extensively on capitalist concepts and constructs.\textsuperscript{130} Badgett argues that certain features of the Soviet economy are not properly accounted for in Western analysis. The two factors that Badgett mentions are the priority that was given to defence spending in the Soviet economy, and the penetration of the military sector into the civilian activities of the USSR. Badgett, among others, argues that the Soviet Union was a unidimensional Super Power, one with the foundation of its international influence based not upon any perception of its ideological or social superiority, or even upon such economic might as it possesses, but upon "the military force that economic might and

social structure have been distorted to produce and sustain". Condoleezza Rice wrote in 1987 that Soviet history and ideology had created a garrison state mentality that emphasized military power. Rice argues that the experiences of the Soviet Union, and its predecessor the Russian empire, created a social environment in which the army attained special status.

The position given the military in the Soviet Union linked the country's Super Power status with the effort to build up military and military-industrial might. In order for the USSR to maintain its status in the international system, the strength of the Red Army had to be preserved. The status of the military made an emphasis on defence production one of the most prominent characteristics of Soviet society since Stalin. Heavy industry was emphasised over the production of consumer goods because the former aided the Kremlin in its quest for maximum security.

The Communist Party leadership made every effort to guarantee the loyalty of the Red Army through the political controls that had been built into the structure of the armed

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131 Ibid. p.34.


133 See Holloway, Carr, and Lewin, as cited in Badgett, p.34.
forces. The influence of the military on the formulation of foreign and domestic policy, nonetheless, was significant. On military and military-political matters, according to Barry and Barner-Barry, its voice undoubtedly carried much authority. The influence of the military, according to some, was greater during times of political instability. Whether this indicates that the military generally acted as a lobby or that policy was decided through a political-military consensus remains an open question. That the military was influential is not a point of contention. The renowned dissident, Andrei Sakharov, wrote that Khrushchev's failure to satisfy the Soviet equivalent of the military-industrial complex during his leadership was one of the reasons for his downfall. If Badgett and the other like minded analysts are correct, that the West actually underestimates the role the military played in Soviet resource allocation, then the size of the defence budget becomes an even more important indicator of the health of the Soviet state's budget than one would expect based on the official data presented.

134 See Barry and Barner-Barry, pp.309-310. The political controls included a dual command structure, in which every unit was assigned a political officer to ensure the ideological purity of military. The KGB also exerted control over the military by placing its operatives into the Army to ensure that no group of officers would be tempted to attempt a coup.

135 Bill Murray, as cited by Barry and Barner-Barry, p.310.

When Gorbachev came to power, the patrons of the Soviet defence interests felt that the Soviet military was in desperate need of modernization. Gorbachev came to power because he received the support of the upper echelons of the KGB, the Communist Party and the Red Army.\textsuperscript{137} While the Soviet military was not a major player in the Soviet political system in its own right, mainly because the KGB and CPSU did not trust the Red Army completely and thus maintained substantial controls over it, its patronage included many important political figures who championed the Red Army in the Politburo.\textsuperscript{138} Therefore, the decline in Soviet military expenditures is a significant indication of the state of the economy. Clearly if the USSR’s military interests were the important monuments on the Soviet political landscape that Badgett suggests, then their sacrilegious demolition, as the CPSU conservatives would have viewed it, was a significant indication of the urgency Moscow must have felt regarding the state of the economy. The fact that defence spending was being reduced, at a time when the USSR was perceived to have fallen behind the United States in the Super Power arms race and was in need of force modernization indicates that the Soviet economy was affecting the Kremlin’s policy alternatives, which was not the normal case. The drastic


\textsuperscript{138} Barry and Barner-Barry, p.309-310. The Patrons of the Red Army included Yegor Ligachev and Andrei Gromyko, prior to his retirement, among other conservatives.
unilateral cuts announced by the Gorbachev leadership in 1989 and 1990 would indicate an urgency in addressing strain that the high military expenditures were placing on the Soviet economy.

The "pre-crisis" situation, as Gorbachev described the Soviet economic condition when he became leader, was not, however, completely attributable to the high level of military spending. There were other problems with the economy as well. Soviet economist Nikolai Shmelev, in 1987, stated that:

[It] is essential to realize that the cause of our [Soviet] difficulties is not only due to the heavy burden of military expenditures and to the highly expensive global responsibilities assumed by our country. . . . Persistent, long-term efforts to defy the objective laws of economic life and to surpress the age-long natural incentives to work have led to results directly opposite to those we had anticipated. We now have an economy that rejects scientific and technological progress, one that is unplanned and - if we want to be totally honest - unplannable . . . .

Massive apathy, indifference, theft, and disrespect for honest labor, together with aggressive envy toward those who earn more - even by honest methods - have led to the virtual physical degradation of a significant part of the people as a result of alcoholism and idleness. There is a lack of belief in the officially announced objectives and purposes, in the very possibility of a more rational organization of social and economic life. . . .

Clearly all this cannot be swiftly overcome - that will take years, perhaps several generations.139

The problems facing the Soviet economy were comprehensive, in that they affected every facet of Soviet economic life. Military spending was only a part of a large number of problems. Shmelev's assessment makes it clear that the Soviet Union had to overhaul the entire economy.

Gorbachev's stated goal was to return the Soviet economy to the growth rates of the late 1960s and early 1970s.\textsuperscript{140} The obstacles to his objective were many. In general, the priority of the Soviet economy was the industrial sector. Any policies aimed at strengthening the industrial output of the USSR had to address the fact that much of the decline in the rate of growth for this sector was due to the falling productivity of capital inputs. According to Ed A. Hewett, the decline in productivity reached a point in the late 1980s where it took twice as much capital input for the Soviet economy to achieve the same increase in real national income as it had in the late 1960s and early 1970s.\textsuperscript{141} A complicating factor beyond Soviet control was the decline in the prices of oil and gold on the world market, the two Soviet exports that generated around US$ 22 billion worth of additional goods and services for the Soviet economy between 1971 and 1979. Unfortunately for Gorbachev, the USSR could not unilaterally affect the prices of oil and gold on the world market without


\footnotesize{\textsuperscript{141} Ibid. p.10.}
decreasing the amount of these two commodities that it sold. A further impediment to economic acceleration was the declining rate of growth of the population. Whereas during the 1970s the labour force was growing by 1.8% per annum, the figure dropped to 0.5% in the very early 1980s.\textsuperscript{142} The slowed growth of labour would mean that a return to the higher rates of growth for the entire economy, similar to the rates that had occurred in the late 1960s, would have required a change in the production of goods to more capital intensive means, that is to say that the process for the manufacture of goods would have to become more dependent upon technology. 

Clearly the attention paid to the economy after Gorbachev came to power indicated that the leadership recognized that the economy needed help. Since the official statistics covered at least a part of the truth through inflated figures, it took some time for the Gorbachev reformers to ascertain the real situation. 1988, the year that the Central East European revolutions began, was also the watershed year in the Soviet approach to the economy. Prior to 1988, Soviet economic reforms were based upon increasing labour productivity. Once 1988 began, the Soviet leadership began to seek radical policies to deal with the

economy.\textsuperscript{143} It is obvious that 1988 was the year in which the USSR's decision-making elite realized the extent of the economic crisis.\textsuperscript{144}

Gorbachev clearly recognized "that the slowdown in the Soviet economic growth was of a systemic and structural nature and that the acceleration of the process of development would require radical modification of the economic system and modernization and restructuring of the economy".\textsuperscript{145} The myth that the authorities responsible for the formation of the Central Plan knew what was best for the economy proved "to be a sham".\textsuperscript{146} Economic de-centralization became an important part of the reforms. Central planning simply did not allow for risk taking, therefore modernization could not occur through experimentation by Soviet producers. Yet Gorbachev was unwilling to take the plunge into the waters of a market economy, which would indicate either that he was not prepared to take such a fateful step, or that his political support could not withstand such a move.

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\textsuperscript{143} See Hewett and Winston's book, \textit{Milestones in Glasnost and Perestroika} (Washington D.C.: The Brookings Institute, 1991) for a collection of articles which are presented in a manner that presents the gradual and hesitant evolution of Gorbachev's economic policies from minor reforms into major policy revolutions.

\textsuperscript{144} Sheehy, p. 288-319.


\textsuperscript{146} Alec Nove, p.52.
\end{flushleft}
The Soviet economy in general, just like the Red Army, was in need of modernization. The deterioration in the performance of the Soviet economy had been occurring since the late 1960s-early 1970s. The Soviet Union had maintained high military expenditures, and had intervened in Afghanistan, and had been prepared to invade Poland in the early 1980s despite its economic stagnation. Why was it no longer possible for the Soviet Union to delay the modernization of its economy? The greatest clue is to be found in the rates of growth for gross investment and for NMP allocated to accumulation. As seen in Table 7, the growth of Soviet gross investment from 1978 to 1980 averaged only 2.9%, compared to the 7.6% of a decade earlier. In fact, from 1976 onwards, Soviet total investment grew by little over half the rate it had grown from 1966 to 1975. This indicates that the USSR had been replacing old capital and investing in new capital at a higher rate prior to 1976 than afterwards, which meant that the Soviet growth rates would continue to drop, probably at increasing speeds. The rates of growth for the distribution of the NMP were greater for consumption than for accumulation. This indicates that the Soviet Union tried to maintain its economy by borrowing against its future. The fact that in the second three year period studied the ratio in the rates of growth between NMP allocated to consumption and to accumulation was over 8:1 illustrates this point clearly. While the Soviet Union attempted to maintain its Super Power status, which meant high military and diplomatic expenditures, plus the costs of protecting its global
interests, it had in effect been robbing Peter to pay Paul. The problem was that Peter was now broke.

**What Western Analyses Add to the Picture**

The official data presented in the foregoing shows that the expansion rates of the Soviet economy declined from 1968 to 1989, and in 1990 became negative. It should be noted that some Soviet and many Western analysts believed that the performance of the Soviet economy was far worse than the official data indicated, a notion supported by Gorbachev as already stated.\(^{147}\) CIA estimates, for example, routinely involved figures that were lower than the numbers published by the Soviet government in its official statistics. Taking the first five years of the 1980s as an example, the USSR reported an average annual growth rate for its NMP of 3.2%, while the CIA argued that the actual rate of growth for the USSR only averaged 1.5%.\(^{148}\) If one were to round the 1988 ruble value of Soviet NMP down to 600 billion, the difference between the two estimates would be over 10 billion rubles. Many in the West, of course, identified a conflict of interest in the data collected by the CIA. In the late 1970s it was argued that the American intelligence community was overstating the economic problems of the USSR because of politics, but by the end


of the early 1980s the CIA's critics argued that the figures were understating the USSR's economic problems because it was in the defence community's best interest to have a strong Soviet adversary. However, if one recalls that Gorbachev claimed that the Soviet economy actually had not grown through the 1980s decade, the CIA estimates appear to have been more accurate than the critics believed in the early 1980s.

In a study for the Koln institute on East-West Relations in 1991, Carl Verlag's estimates for growth of Soviet GNP are compared with that of seven other states. The Soviet annual rate of growth for its gross national product from 1986 to 1991, expressed as percent changes from the previous year, were reported to be significantly lower than that of the other nations.

**Table 8: GNP Comparison between the USSR and selected States**

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<td>USSR</td>
<td>4.1</td>
<td>1.3</td>
<td>2.2</td>
<td>1.4</td>
<td>-5.0</td>
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<td>USA</td>
<td>3.1</td>
<td>3.8</td>
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<td>Japan</td>
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<td>FRG</td>
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<td>France</td>
<td>2.3</td>
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<td>Great Britain</td>
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<tr>
<td>China</td>
<td>7.8</td>
<td>9.4</td>
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<tr>
<td>Canada</td>
<td>3.1</td>
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<td>5.0</td>
<td>2.9</td>
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Also of note, is the fact that the Soviet rate of growth was lower than that of the other seven states after 1986. One must be
mindful that the national incomes of these states are huge. The American GNP in 1989 was around US $5.2 trillion, meaning that a 0.1% difference was worth US $5.2 billion to the American economy. Verlag's estimate for the Soviet Union's GNP value, incidentally, was around US $1.4 trillion. The data presented in Table 8, therefore, shows that the Soviet economy shrunk by an estimated one fifth of its GNP between 1990 and 1991. Assuming Verlag's figures are correct, that would mean a decrease of US $280 billion in the Soviet national income measured as GNP in 1991. The contraction of the Soviet economy on the magnitude estimated by Verlag's study is enormous, and would indicate that the economy was in a very weak position at the time the Central-East European Revolutions began.

The International Monetary Fund made a study of the Soviet Union in 1990 and came to the conclusion that the economic situation was worse than most Western economists had believed.\textsuperscript{149} The IMF team sent to the USSR found that, in addition to the deceleration of the Soviet Union's economic growth from the start of the 1970s, the system of central planning had almost completely broken down by 1990 but had not been dismantled nor replaced by a functioning market system. The team also found that there was a lack of stability in the economy. The Soviet government had run a deficit in 1990 of around 8% of its national

\textsuperscript{149} International Monetary Fund, "The Economy of the USSR". A study undertaken by the IMF in response to the Houston Economic Summit of the seven major industrial democracies. IMF: December 21, 1990.
income, measured in NMP. It had tried to cover that debt by printing more and more rubles, which made the real domestic value of the Soviet currency nearly worthless. However, since prices were still controlled, hyper inflation did not officially occur. The deficit was partly created because the Soviet government had been subsidizing rents and the prices of most consumer goods to assist its population, a significant part of which, the IMF team believed, lived below the poverty line.

The studies made by the Kohn institute and the IMF both indicate that the problems facing the Soviet economy were indeed worse than what the official statistics of the USSR indicated. The problems plaguing the economy were comprehensive, and would take time to overcome. The low rates of growth in gross fixed investment and in the allocation of resources towards accumulation in the late 1970s and early 1980s placed the economy in a weakened condition by the middle of the last decade. Gorbachev's rise to the position of General Secretary and his immediate implementation of the traditional reform programs of increased labour and Party discipline, clearly shows that there was at least some concern among the Soviet leaders for the economy. The question is whether or not the Soviet leadership

150 The CIA had reported that the Soviet government had run deficits since the mid 1970s. The size of the deficit, according to the CIA, was to reach 100 billion rubles in 1989, which would have been approximately 15% of the total NMP produced by the USSR in that year.

151 IMF report on "The Economy of the USSR".
truly fathomed the awesome economic crisis that was looming on the near horizon, and therefore concluded by 1989 that they could not afford to intervene in Eastern Europe.

**The Economy as the Priority**

Based upon the speeches made by the Soviet leader after his rise to power, one can assume that at least the liberal and moderate elements of the leadership did realize that an economic crisis was approaching. In 1986, Gorbachev declared that the required restructuring of the Soviet economy amounted to a revolution, and that the economy was in desperate need of radical reform.152 In January of 1987, at the Plenary Meeting of the CPSU, Gorbachev argued that his reform programs were unquestionably needed. He strongly stated that the fundamental changes were unavoidable. The Soviet leader warned the Central Committee: "we cannot retreat [from the reforms] because there is nowhere to retreat to".153 On 2 November 1987, Gorbachev took the occasion of the 70th anniversary of the Bolshevik Revolution to create support for his economic and social policies by stating that they were a continuation of the revolution which Lenin began in 1917. In his speech, Gorbachev credited the 1965 Plenary Meetings of

152 As quoted by Gertrude Shroeder, "Gorbachev and Brezhnev's Reforms", in Hewett and Winston, eds., p.38.

the CPSU's Central Committee, under the leadership of Brezhnev and Aleksei Kosygin, with formulating economic policies that allowed the standard of living to rise in the USSR. He also praised the 1965 meetings with strengthening the defence capacity, which when coupled with the foreign policy moves which enhanced the prestige of the USSR, created strategic parity with the USA.\footnote{154}

Gorbachev, however, also took the opportunity to openly criticize the end of the Brezhnev era for allowing the economy to stagnate. In his speech, Gorbachev noted that at the end of Brezhnev's leadership:

> The country had at its disposal extensive resources for further accelerating its development. But to utilize these resources and put them to work, cardinal new changes were needed in society and, of course, the corresponding political will. There was a shortage of both. And even much of what had been decided remained on paper, was left suspended in midair. The pace of our development was substantially retarded.\footnote{155}

Gorbachev continued his criticism by reminding the audience that:

> At the April 1985 Plenary Meeting of its Central Committee and at its 27th Congress the Party frankly identified the causes of the situation that had arisen, laid bare the mechanism retarding [Soviet] development, and gave it a fundamental assessment.

\footnote{154} Mikhail Gorbachev, \textit{October and Perestroika: the Revolution Continues}, (Moscow: Novosti, 1987), 35.

\footnote{155} Ibid.
It was stated that in the latter years of the life and activities of Leonid Brezhnev the search for the ways of further advancement had been largely hampered by an addiction to habitual formulas and schemes which did not reflect the new realities. The gap between word and deed had widened. Negative processes in the economy were gathering momentum and had, in effect, created a pre-crisis situation.

It was in response to this extremely acute social need that the April 1985 Plenary Meeting of the Central Committee put forward the concept and strategy of accelerating the country's socio-economic development, and the course aimed at the renewal of socialism.

Comrades, we are following a revolutionary road, and this road is not for the faint-hearted; this is a road for the strong and the brave.156

Then in June, 1987, Gorbachev attacked the forces of the status quo, criticizing the cautious and slow approach that the conservatives wanted to take towards economic reform. Gorbachev reminded the hard-liners that the USSR had "already lost years and decades and... [that] a 'beautiful tomorrow' may not come if [the USSR was] not going to work hard, changing [its] way of thinking, overcoming inertia, adopting a new style".157

Since the USSR could not modernize itself, the best source for the modernization of the entire economy, as it was for the military, was through the direct import of Western high technology goods. Détente was the key to the door that would

156 Ibid, 36.
grant access to the tools of modernization. While it was true that Eastern Europe did provide the USSR with another supply route for Western technology, through the transfer of goods, that supply route could have been cut by the West as it had been in the initial application of Western sanctions in response to the Soviet invasion of Afghanistan in 1979. An invasion of Eastern Europe in 1988-1990 would have destroyed the credibility the USSR had achieved under Gorbachev's charm offensive as a state desiring peace, and undermined the new Détente.

The sacrifice of Eastern Europe in exchange for access to Western technologies might still appear to be a rather extreme trade. Simes's argument that no amount of economic benefit could have replaced the desire of the leadership, and of the people, to maintain the image of Soviet international greatness resurfaces at this point. The Soviet empire must have been expendable in the face of a possible collapse of the entire economy, and eventually of the entire Union of Soviet Socialist Republics. When one recalls that, traditionally, the Soviet Union only engaged in trade with the West to acquire goods it could not produce at home in sufficient quantities, the fact that Soviet trade with Western Europe was growing faster than that with its satellite states indicates that the USSR had become more and more dependent upon the West for strategic goods.\(^{158}\) Intervention in the Central

\(^{158}\) Strategic goods are those goods that the Soviet economy had to import in order to continue its growth. In other words, they are goods that the Soviet economy
East European revolutions was simply not feasible because of the economic crisis had made Détente all important to Soviet national interests.

Soviet economic modernization became vital, and it could not be put off. Soviet economist Otto Latsis argues that the stability of the Soviet economy had become undermined, leaving no time "for maneuvering, for reflection, for correcting errors". Latsis points to the fact that the indications that the Soviet economy required drastic reforms existed since that start of the 1980s. In fact, Latsis recalls the various times throughout Soviet history that the USSR's leadership realized that its economic policies required reform, including entrepreneurial autonomy, but was unwilling to take the steps needed, such as the decisions announced but never implemented the year after Khrushchev was removed from power. By late 1988, the Soviet leadership realized that the Soviet standard of living could not be reduced any further because the domestic policy of glasnost, or openness, had already revealed to the public that the standard of living of the Soviet population was lower than in Eastern Europe. By February 1989, Latsis reports that the Politburo adopted a plan to meet the expectations of the public, generated by the Soviet political reforms that had been launched concurrently with

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the economic reforms, by reducing capital investment in heavy industry and by converting part of the arms industry into consumer-oriented light industry.

The pressing need for modernization made good relations with the West vital to the prevention of a complete economic collapse. Some of the ballast had to be jettisoned if the Soviet balloon were going to clear the jagged mountains that blocked its path, which meant that the Soviet Union had to reduce its expenditures. When the legitimacy crisis resurfaced in Central East Europe, the desperate economic situation had overridden the Soviet desire for the maintenance of its East European empire. Rather than intervention, the Soviet Union tried to maintain its bloc through persuasion. The leadership may have realized that the economic crisis was so precarious that it could not afford to use military force to crush the Revolutions, especially if the reports that the Poles were prepared to resist were true.

The restoration of the economy would require a scaffold built from the planks and rods of a withdrawal from the competition of international relations, and assembled with the aid of a Détente with the United States. The implication of the announcement made by Gorbachev in 1988 about the lack of any real economic growth since the start of the 1970s was that the Soviet Union had fooled itself into a false sense of economic security prior to that moment. The USSR had not functioned in global politics within the boundaries of its economy's ability to
sustain the Soviet Union's interests that had continued to expand. Drastic policy alternatives had to be found to save the Super Power status, and even the existence, of the USSR. As Sheehy points out, the Soviet Union had isolated itself from the West and therefore had locked itself out of many world trade organizations and had been subjected to rigid restrictions on the trade in high technology goods.\textsuperscript{160} A constant improvement in East-West relations would have lifted many of the technological bans that would have allowed the Soviet Union to modernize its besieged economy. Once the economy was repaired, the Soviet Union could restore its international position.

\textbf{After the Revolution}

The conservative elements of the Party, for the most part, agreed with Gorbachev that reforms were necessary. However, they were never comfortable with the political implications of the policies of \textit{Glasnost} and \textit{Perestroika}. During the first four years of Gorbachev's leadership, their political power was waning, but by the end of 1989, what remained of the

\textsuperscript{160} The Western alliance had established, for example, a body known as COCOM, which included the NATO countries plus Japan. The COCOM, or coordinating committee, established a list of goods that could not be traded to the Soviet Union because of the potential military application of the technology involved. For example personal computers which could help the USSR in the control of missile launch systems were banned. The declaration of martial law in Poland in 1981 and the continued Soviet intervention in Afghanistan, elicited a strong response from the Americans. Under Ronald Reagan's leadership, the United States advocated the use of a rather extensive list of banned goods to use as bargaining chip in Soviet-American relations. The two demands that would lessen the restrictions were Soviet disengagement from Afghanistan and the normalization of Poland's domestic situation.
conservative elements became very uncomfortable with the situation in Central-East Europe. The probability of German reunification, which had seemingly become inevitable when the Honecker regime fell in East Germany, had raised the specter of renewed German power. By the Summer of 1990, the Kremlin was full of finger pointing as each political faction blamed the others for the loss of Eastern Europe. One can deduce that the assigning of blame for the collapse of the East European empire meant that the Bloc was not surrendered voluntarily. The conservatives blamed the liberals and their reform policies for disintegration of Soviet hegemony, while the reformers argued that it had been the conservatives that had lost Eastern Europe because of their incompetent handling of affairs during the second half of Brezhnev's leadership. The conservatives were still a force to be reckoned with in the Kremlin power structure in July 1990, and Gorbachev's foreign minister, Eduard Shevardnadze, tried to placate the conservative fears regarding a united Germany by arguing:

The concern over the process of German reunification is understandable. . . .[But] what is better for us: to have a million-strong West Germany Bundeswehr against us, or an army of a united Germany half this size? Our calculations show that in the current five-year period the sum-total peaceful dividend as a result of the realization of the peaceful policy based on new thinking can make 240 to 250 billion rubles.  

161 As quoted by Gail Sheehy, p.264.
The size of the peace dividend Shevardnadze was anticipating was around one third of the USSR's NMP for that year, and was based upon the agreement that Gorbachev and West German Chancellor Helmut Kohl had reached in Bonn that month. Gorbachev had removed the road blocks to German reunification in exchange for a military arrangement that would prohibit the stationing of NATO troops on the territories that had been the German Democratic Republic. This was to help Gorbachev to sell both reunification and his unilateral force reductions at home. Gail Sheehy suggests that Gorbachev also sold Eastern Germany to the West in exchange for economic aid. In the early months of the summer, 1990, West Germany and France tried to unite the West behind a US $15 billion aid package to help "Gorbachev stir up the stagnant mire into which his half-hearted economic reforms had sunk". When that failed, the Federal Republic of Germany went ahead on its own, giving the Soviet Union US $3 billion in credits and guaranteed loans to pay for the upkeep of the 380,000 Red Army troops still garrisoning East Germany.

Sheehy reports that on 4 July 1990, Gorbachev sent a secret letter to US President George Bush begging for economic help and technical assistance to help his economy last until the Soviet reforms took hold in two years time. Gorbachev also approached individually the leaders of each of the G-7 states in 1990, trying to secure economic aid from the West. In 1991, the West began to

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162 Sheehy, p.264.
respond to Gorbachev's pleas. The United States, under George Bush, was one of the most cautious about providing assistance. The American administration appeared to be caught in a paradox. They were afraid that aid in the 1990s might come back to haunt the US, because Soviet economic recovery might trigger a return of the Soviet Union as an antagonistic force in world politics in the next century. On the other hand, a greater fear was that if Gorbachev failed in his economic reforms, he would be removed from power and replaced by a conservative leader, one who would immediately take a hard-line approach in his dealings with Washington.
Chapter 5: Conclusion

The strong emphasis that the Union of Soviet Socialist Republics placed on maintaining its sphere of influence in Eastern Europe, since the Second World War, made the collapse of the Soviet empire in the region, in the late 1980s, a highly unlikely event. Control over the states that formed the Soviet Bloc was considered to be vital to Soviet political, economic, cultural and defence interests. The tenacity with which the Kremlin pursued its hegemony over the region was demonstrated time and again. Traditionally, whenever the political instability that plagued the regimes of Eastern Europe threatened to disintegrate the Bloc, the Soviet Union proved that it was both willing and capable of using force to crush the disturbances. The pattern was broken during the late 1980s when first the Central East European states of Poland, Hungary, and Czechoslovakia, and later the rest of Eastern Europe, revolted against the pro-Soviet regimes that ruled the region.

Obviously, some factor, or group of factors, had to shift after 1968, the last time the USSR had intervened with troops in Eastern Europe to prevent the collapse of the Soviet Bloc. More than likely, the change occurred after the Polish crisis of 1981, which was the most recent year in which the USSR exhibited a willingness to intervene, and apparently would have done so if the Polish government had not dealt with the threat from Solidarity.
in a manner with which the Kremlin was satisfied. The change had either to force the Kremlin to abandon the doctrine of limited sovereignty that it had pursued towards Eastern Europe, or to make control over Eastern Europe unimportant. While numerous changes in the factors that can be considered to be the traditional determinants of Soviet foreign policy did occur, they fail to give a completely satisfactory explanation for the Kremlin's decision to abandon the Brezhnev Doctrine.

While Soviet economic objectives may have directed Soviet foreign policy towards certain objectives prior to the Revolution in Central East Europe, the economy of the USSR had never been considered to act as a major constraint on Soviet policy selection. However, its performance did change significantly over the relevant period. From 1968 to 1980, the rates of growth of the key indicators of the USSR's economy were declining steadily. This gradual deterioration in the health of the Soviet economy accelerated between 1980 and 1989. The official Soviet statistics clearly shows a decline in the growth of the economy, and that this decline became more pronounced in the 1980s decade. The government statistics also indicate that the growth rate for the Soviet economy as a whole became negative in 1990, along with a number of other key indicators. One of the most interesting statistics is that the Soviet defence budget was being reduced between 1988 and 1990, despite the fact that the Soviet Red Army was said to have been in need of modernization if it
were to catch up to the leap in military capability made by the United States under the Reagan administration.

Although the comparison between the performance of the economies of the USSR and the Federal Republic of Germany does not show a clear difference in the condition of the two economies prior to the late 1980s, there are several factors that one must consider. First, the FRG did not sell petroleum during the difficult 1970s decade which was characterized by a world-wide economic recession. When this is removed from the Soviet figures, the performance of the USSR would indeed look weaker, as Gorbachev stated in 1988. Second, the FRG statistics are not nearly as distorted as those of the Soviet Union. Finally, the investment rate in the FRG was much higher in the 1970s, leaving the West German economy in a far better condition entering the second half of the 1980s.

According to both the USSR's post 1985 leadership and Western Sovietologists, the gradual decline in the economy that was recorded by the Kremlin's own statisticians, disguised its real condition. By Gorbachev's own admission, the Soviet economy had not experienced any real growth in its economy for at least a decade prior to the beginning of the Central East European Revolution. It is clear from the speeches, writings, discussions, and policies of the Gorbachev leadership, that the Kremlin was aware that the economy was in trouble. The Soviet leader told the Central Committee as early as 1986 that revolutionary changes in
the Soviet approach to the economy were required. As the decade of the 1980s continued to develop it became obvious that the economy was becoming the domestic priority of the Gorbachev era.

The Soviet leadership realized that the entire Soviet economy required modernization. In addition to radical economic reforms, the Kremlin elite came to conclude that the USSR required a massive injection of high technology and capital if its health was going to improve anytime in the near future. Indeed, the fact that the USSR began to receive economic assistance from the West was a sure sign that the patient was near death. In 1990, Gorbachev warned that if the economy were not reformed and did not receive sufficient aid from the West, that it would collapse by 1992. He was more correct than he would ever have wished. By the start of 1992 not only had the economy collapsed, but the Soviet Union itself had disintegrated.

The Kremlin recognized that the best source for the required technologies was the West. The USSR's leaders were also fully cognizant of the fact that the modern industrialized states of the West would place sharp restrictions on the export of high technology goods to the East in response to an intervention in Eastern Europe by the USSR, just as the West had in the past. Furthermore, the Soviet experience in Afghanistan clearly demonstrated that military action on a scale large enough to deal with the mass movements in the three Central East European
states, in which the Revolution began, was a costly proposition that would have diverted resources away from the Soviet economy, where they were desperately needed. It is conceivable that the Kremlin believed it could not afford to intervene in Eastern Europe because the strain placed on the economy would have inflicted serious long-term damage. The USSR feared that the Poles, probably the Hungarians, and possibly the people of Czechoslovakia, would have resisted a Soviet intervention. Given the experience that the Poles had gained during the Second World War in the art of guerrilla warfare, it was perhaps even feared that a conflict in the region would be a worse drain on Soviet resources than Afghanistan had been.

Unfortunately, the evidence that the state of the economy was a major factor in the Soviet decision not to intervene is circumstantial. The nature of the Soviet political system prevents one from making a definite link between the decline in the economy and the Soviet non-intervention. It is impossible to analyze the official statistics for the Soviet economy and draw the conclusion that its poor performance was the sole factor responsible for the USSR's selection of a non-interventionary East European policy after 1988. However, it is possible to conclude that the condition of the Soviet economy was a major determinant in the Soviet decision not to intervene. There are other possible explanations, such as the Kremlin coming to the conclusion that Eastern Europe was no longer worth the price that would have to be paid to maintain control over it, or that an
intervention would have run counter to the USSR's national interest. This paper's hypothesis, that economic factors were a major contributing factor in the decision does not run counter to such theories, and can be used to support them.

It is possible that the Soviet abandonment of the Brezhnev Doctrine was due to a change in the Kremlin's perception regarding the desirability of having control over Eastern Europe. A change may have occurred that negated the logic that had led the USSR to take control of the region. However when one recalls that Gorbachev had confirmed as recently as 1985, that Soviet political, economic, social, and security interests were tied to Eastern Europe, one must wonder what had changed that would have shifted the leadership's opinion. It could be that the political instability in Eastern Europe had made it more dangerous to keep the states of Central East Europe in the Soviet Bloc than to let them go. The fear that the political unrest might spread to the USSR may have been a part of the reason for the non-intervention. Perhaps the massive debt that the states of Eastern Europe had accumulated made it impossible for the weakened Soviet economy to even attempt to sustain the Soviet Bloc economically.

It is also possible that the West was no longer perceived to be as much a threat to Soviet security as it had once been. If the Soviet Union believed that a war between the Super Powers was unlikely, then the sphere of influence in Eastern Europe would not have to be maintained because the states of the region were not
needed as a security buffer. However, this explanation seems to deny the fact that the improvement in East-West relations had been more the result of the Soviet change in foreign policy than due to any American or West European initiatives. It is also a possibility that the Soviet leadership came to believe that the costs of maintenance for the East European empire was too great. The Kremlin may have realized that it did not have the economic resources to pay for the continued existence of the Soviet Bloc, both in a military sense, and with regard to the deteriorating state of the East European economies. If the Kremlin decided that the states of Eastern Europe were a drain on Soviet resources, the Soviet leadership may have decided to abandon Eastern Europe.

Both explanations can be connected to the state of the Soviet economy. In the case of the former, the Soviet Union could very well have made the overtures that led to a rapprochement with the West because it realized it could not afford to keep pace with the United States in an arms race. In the latter case, the USSR could have come to the conclusion that the deterioration in the rates of growth for the economy meant that it could not afford to continue directing resources away from domestic allocation towards the maintenance of the Soviet Bloc. In either event, the condition of the Soviet economy was probably a major contributing factor in the Soviet decision to allow its East European empire to pass into oblivion without an attempt at intervention.
It is possible that Gorbachev's rise to power was the most important change in the determinants of Soviet foreign policy. It was after he came to power that the USSR changed its approach to foreign policy, defence policy, the interpretation of Marxist ideology, and East European policy. Assuming this to be true, the deterioration of the Soviet economy could still have been important. The change of guard in the Kremlin, with the conservative elements losing power to reform minded Party members, could not have occurred without the Soviet elite concluding that changes were needed in order to shake the USSR out of then stagnant conditions that had developed during Brezhnev's last years. The decline in the economy may have been partly responsible for the rise of Gorbachev, perhaps even to such an extent that even if Gorbachev had not come to power, the economic conditions would have forced the USSR to chose another liberal to fill the office of General Secretary. In any event, the emphasis that Gorbachev attached to the health of the Soviet economy indicates clearly that the last leader of the Soviet Union believed that the resuscitation of the economy was a vital policy objective.

In sum, while it is not possible to separate the various factors mentioned and attach to them the corresponding weight to judge the respective importance of each determinant, it is more than likely that the deterioration in the health of the Soviet economy was a crucial factor in the Soviet decision not to intervene. The question as to how important a factor it was may
not be resolved, unless the Russian Foreign Ministry has some Soviet documents that will become available in the future which will illuminate this mystery. Or, if the individual Soviet leaders break with past precedents and become willing to be interviewed by analysts about their positions on such issues, and are willing to be completely candid.

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There is a lesson to be learned from the demise of the last great empire. There are many students of international relations who underestimate the role that the health of the economy plays in the determination of a state's foreign policy. In order for a country to be able to sustain its international power, it must make certain that it does not place too much stress on its economic base. The USSR stole from its future by not allocating sufficient resources for investment in its future, and by not supplying enough of its NMP for accumulation. The result of this practice was the gradual destruction of the economy. If a state is going to maintain its ability to act, to keep its international power, and perhaps to continue its existence, it must keep something in reserve at each point of its life.
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Vita Auctoris

Adam Fallenbuc#l was born in Windsor Ontario, Canada, on April 25, 1969. He attended St. Paul's Elementary School in Windsor from 1973 to 1979. In 1980 he was a student at Bishop Kirk Middle School in Oxford, England. He then returned to St. Paul's and graduated in 1983. He was a student-athlete at Assumption College High School from 1983 to 1987. He competed in both Basketball and Track and Field for the School, and was a member of numerous championship teams at Assumption. He also competed for the South Windsor Knights of Columbus Track Team between 1984 and 1986, winning gold, silver and bronze medals at the 1984 Ontario Junior Track and Field Championships.

In 1987, Adam enrolled in Preliminary Year at the University of Windsor, and graduated in 1991 with a B.A. Honours degree in International Relations. At the University, he was a member of the University of Windsor fencing team, winning the individual silver medal for Sabre in the Ontario university championships and the gold medal in the team Sabre competition. He also competed in the Ontario junior fencing Championships in 1983 and again in 1984, winning the individual Sabre gold medal in 1983, and the bronze medal in Epee in 1984.

Adam co-authored an article entitled "Privatization and Marketization in Poland" with Dr. Zbigniew M. Fallenbuc#l, which was published in 1990 by Studies in Comparative Communism, 23, no. 3/4 (Autumn/Winter 1990), pp. 349-354.