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Introduction by Artemy M. Kalinovsky, University of Amsterdam

Chris Miller. ***The Struggle to Save the Soviet Economy: Mikhail Gorbachev and the Collapse of the* USSR.** Chapel Hill: University of North Carolina Press, 2016. ISBN: 978-1-4696-3017-5 (hardcover, $29.95).

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Introduction by Artemy M. Kalinovsky, University of Amsterdam

The study of the Soviet economy has been experiencing a comeback of sorts in recent years. While a number of Sovietologists, including Alec Nove, Marshal Goldman, Paul Gregory, Robert Allen, and Jerry Hough, had written incisive studies of the Soviet economy while the Cold War was still on, few Western historians have taken the opportunity provided by the opening of Soviet archives to revisit how the Soviet economic system took shape, how it functioned, and to explore the fate of various reform efforts.[1] As a contribution to the history of the Soviet economy and economic reform, Chris Miller's new book, *The Struggle to Save the Soviet Economy: Mikhail Gorbachev and the Collapse of the USSR,* joins the short but rapidly growing list of works by scholars including Oscar Sanchez-Sibony, Kristy Ironside, and Yakov Feygin.[2]

The book also answers a question often heard in Russia at the proverbial kitchen table as well as in more scholarly fora: why did the Soviet Union not follow a 'Chinese' path to reform, focusing on economic projects first and leaving the political reform until later? As Miller's book shows, Soviet scholars took the idea of learning from China and other East Asian countries quite seriously, and General Secretary (and later first president of the USSR) Mikhail Gorbachev tried to implement their suggestions as part of his reforms. The failure of these efforts came not from any lack of imagination on the part of reformers, but rather because, as Miller puts it, "many of the most powerful players in Soviet politics had an interest in economic inefficiency" (9). As Miller points out, this finding has important reverberations today, since "the notion that politics under Gorbachev were too liberal and too disorganized for effective governance is a central plank of the ideology that undergirds authoritarian rule in Russia today" (9).

All five reviewers find much to praise in Miller's book, and all agree that it is a well-researched, fluidly written, and timely book that is sure to leave its mark on the historiography. James Cameron writes that "*The Struggle to Save the Soviet Economy* is the most lucid account of the domestic politics of Soviet economic reform that I have read." Michelle Getchell highlights how the book takes us away from western-oriented accounts of *perestroika*, noting that "Miller reshapes our understanding of perestroika by examining its 'Asian roots'." The reviewers also praise Miller for his archival work and his ability to connect economic ideas with policy processes. Vladislav Zubok states that "the book's focus on new archival evidence and the author's determination to revise standard approaches" was particularly welcome, while Kristy Ironside finds that "one of the major achievements of this book is to reconstruct the messy, indirect, and often tedious work of translating economic ideas into policy–not only in the Soviet Union but in any complex political ecosystem." For Yakov Feygin, Miller's treatment of Soviet politics as legislative politics "does much to demystify the Soviet political process and help us contextualize Soviet politics into larger processes happening across the world."

[1] See Anna Krylova and Elena Osokina, "Introduction: The Economic Turn and Modern Russian History," *The Soviet and Post-Soviet Review* 43:3 (2016): 265-270.

[2] Yakov Feygin, "Building a Ruin: Economic Thought and the Politics of Soviet Reform 1955–1990" (Doctoral Dissertation, University of Pennsylvania, 2016); Kristy Ironside, *The Value of a Ruble: A Social History of Money in Postwar Soviet Russia, 1945-1964* (Doctoral Dissertation, University of Chicago, Division of the Social Sciences, Department of History, 2014); Oscar Sanchez-Sibony, *Red Globalization: The Political Economy of the Soviet Cold War from Stalin to Khrushchev* (New York: Cambridge University Press, 2014).

Several of the reviewers also pose additional questions. Most of these concern the actual lessons that China offered for the Soviet Union, and how the Chinese experience was absorbed and marshaled in support of reform. Both Feygin and Cameron point to the substantial differences between the Soviet Union of 1989 and the China of 1979. While the former was an industrialized country with only 14% of its population in the agricultural sector, China was still particularly agricultural. In other words, the key to Chinese economic reform was the mobilization of peasantry into export-oriented industries with salaries relatively higher than was possible in the agricultural sector. The Soviet Union had used a similar mechanism (although with much more coercion) for its own industrialization in the 1930s, and the move from agriculture into industry continued to drive growth rates into the 1950s. By the 1980s, however, this option was no longer available. The only region where the USSR still had booming population growth was Central Asia and part of the Caucasus, but industrialization efforts there had been largely unsuccessful and the regions did not have the kind of transport links that made export-oriented industrialization possible in China's southern provinces. Kristy Ironside further wonders if the Chinese economy was "as rosy, stable, and successful" as it appeared to Miller's subjects. Or was it the image of a successful China that provided ammunition for pro-reform forces?

Departing somewhat from the other reviewers, Vladislav Zubok takes issue with Miller's reading of the sources. For Zubok, Miller takes Gorbachev's rhetoric–and that of other reformers–at face value. Zubok sees Gorbachev enjoying substantial support among the same groups that Miller faults for resisting reform. "Instead of tapping this support for economic change," Zubok writes, "Gorbachev took an opposite course: he began to treat people as a chief obstacle to his reforms and ultimately went over their heads by appealing to the 'masses.'" By contrast, Zubok reads the Politburo materials and the papers of Gorbachev's advisors as revealing "the extraordinary role of ideological expectations, illusions, and false assumptions upon which perestroika operated," among them a faith in a "mixed economy." Zubok also questions whether the various analytical papers produced by Soviet travelers and Moscow-based analysts had an "automatic impact on Gorbachev's policies." Nevertheless, Zubok credits Miller for proving "beyond doubt" that Soviet analysts and policymakers followed China's experiment closely and derived lessons for the USSR from their observations.

Whether one agrees with all of Miller's conclusions or not, this is a book that will no doubt remain required reading for students of the Soviet economy and the reforms of the Gorbachev era for a long time to come.

Participants:

Chris Miller is Assistant Professor of International History at the Fletcher School at Tufts University. His first book, *The Struggle to Save the Soviet Economy*, was published in 2016. His second book, *Putinomics: Power and Money in Resurgent Russia*, was published in January 2018. He has published articles on Russian and Cold War history in *International History Review*, *Kritika: Explorations in Russian and Eurasian History*, and *Soviet and Post-Soviet Review*. He received his Ph.D. and MA from Yale University and his BA in history from Harvard University.

Artemy M. Kalinovsky is Assistant Professor of East European Studies at the University of Amsterdam. He is the author of *A Long Goodbye: The Soviet Withdrawal from Afghanistan* (Harvard University Press, 2011) and the editor of a number of volumes on the Cold War and Soviet history. His new book, *Laboratory of Socialist*

Development: Cold War Politics, Decolonization and Decolonization in Soviet Tajikistan, (Cornell University Press, 2018) puts the Soviet development of Central Asia in international context.

James Cameron is Assistant Professor at the School of International Relations at Fundação Getulio Vargas in São Paulo. His research interests include U.S.-Soviet relations and the history of nuclear weapons and arms control. He is the author of *The Double Game: the demise of America's first missile defense system and the rise of strategic arms limitation*, forthcoming with Oxford University Press.

Yakov Feygin is the Postdoctoral Fellow in History and Policy at the Harvard Kennedy School's Ash Center for Democratic Governance and Innovation. His forthcoming book is titled *Building a Ruin: Economic Thought, Internationalization, and the Politics of Soviet Economic Reform 1965-1992*

Michelle Getchell is a postdoctoral fellow in the Department of Strategy and Policy at the U.S. Naval War College. She is working on two book projects: a short narrative history of the Cuban Missile Crisis and a monograph based on her doctoral dissertation, which examines U.S.-Soviet-Latin American relations in the Cold War.

Kristy Ironside is Assistant Professor of Russian History at McGill University. She is currently completing a monograph on the Soviet government's attempts to strengthen the ruble and use money toward the intertwined projects of postwar reconstruction and communist advance.

Vladislav M. Zubok, Professor of International History at the London School of Economics and Political Science. Earlier was professor at Temple University, Philadelphia, and worked at the National Security Archives in Washington DC. Specialist in Cold War and Soviet-Russian history, director of Russia global affairs programme at the LSE IDEAS and the head of the EU-Russia group of the Dahrendorf Forum. His books include *A Failed Empire: the Soviet Union in the Cold War from Stalin to Gorbachev* (University of North Carolina Press, 2007), *Zhivago's Children: The Last Russian Intelligentsia* (Belknap Press, 2009), and *The Idea of Russia. The Life and Work of Dmitry of Likhachev* (I.B. Tauris, 2017). He his next book is *1991: The Destruction of the Soviet Union*.

Review by James Cameron, Fundação Getulio Vargas

Great history challenges our assumptions and makes us look at old issues in a new light. Chris Miller's stimulating and enlightening first book does exactly that by giving a new twist to an old question: could Soviet General Secretary Mikhail Gorbachev have succeeded in reforming the Soviet economy while preserving the Soviet state? Miller approaches this question through the prism of present-day Russian recriminations regarding the "Chinese path" not taken by the Soviet leadership in the latter half of the 1980s (5). If Gorbachev had paid greater attention to China's contemporaneous economic reforms rather than being so besotted with the West, so the argument goes, he would have put political openness (*glasnost'*) on hold while he grappled with revitalizing the Soviet economy. By prioritizing political reform, however, Gorbachev relinquished the Communist Party of the Soviet Union's (CPSU's) leading role at just the time that a strong hand was needed to prevent economic liberalization from spiraling out of control. Taking the argument to its most extreme, Gorbachev's prioritization of politics over economics lies at the heart of why China is now the world's economic and military superpower in waiting while Russia is a shrunken rump of its former self, playing second fiddle to its vastly more influential southern neighbor.

Employing minutes of Politburo meetings, as well as Soviet academic analyses of Chinese reforms, Miller convincingly shows this argument to be flawed on two major grounds. First, the charge that Moscow ignored the Chinese experience is misplaced; Soviet reformers did study the Chinese path. Miller demonstrates that Soviet academic economists paid very close attention to Chinese leader Deng Xiaoping's initiatives, which inspired many of Gorbachev's experiments with economic restructuring. Second, and most importantly, Miller demonstrates why the Chinese option was never a viable path for the Soviet Union: the political interests defending the economic status quo were far more entrenched in the USSR than they were in the People's Republic of China (PRC), making political reform a prerequisite for economic change. Gorbachev realized that he could not push forward with more thoroughgoing economic initiatives without smashing the power of the agricultural, industrial, and military lobbies that dominated the CPSU.

Miller proves these points across six lucidly argued chapters, focusing first on the academic debates that preceded Gorbachev's rise to power, then on the increasingly chaotic attempts to restructure the Soviet economy from 1985 onwards.

Chapter 1 provides important and often-neglected context, arguing that Asia rather than the United States and Europe was seen as the economic future throughout much of the late 1970s and 1980s. Soviet reformers shared this perception with their American and European counterparts, partly because they read the same pessimistic prognoses regarding the decline of the West. Chapter 2 illustrates the impact that Chinese leader Deng Xiaoping's reforms had on Soviet economists during the late 1970s and early 1980s, and that the insights gleaned from these studies made their way to top policymakers. Chapter 3 elucidates the complex interest-group politics at the heart of Soviet reform by examining debates over whether to cut government subsidies for consumer goods, a measure that would have reduced the budget deficit significantly at the cost of pushing prices dramatically higher.

Chapter 4 shows how industrial interest groups managed to delay significant reform to Soviet enterprises, eventually trading their consent for increased government investment that exacerbated the USSR's budgetary problems. Moving into the final years of the Soviet Union, Chapter 5 analyzes the unsuccessful Soviet attempts to mimic Chinese special economic zones, showing that reformers understood the need for rule of law and developed infrastructure to attract foreign capital, but struggled to implement such measures before the USSR's collapse.

Challenging the criticism of Gorbachev's inattentiveness to agriculture, Chapter 6 places the blame for Soviet farming's dismal failure at the door of entrenched managerial elites, which obstructed attempts to break up collective farms into more efficient leaseholds and extracted boosts in subsidies for the reforms that they did approve. Chapter 7 concludes the study by explaining the politico-economic roots of the USSR's final crisis. Unable to rein in subsidies, Moscow responded by printing money, fueling the inflation that underlined the Kremlin's powerlessness, undermining attempts to collect taxes from newly independent enterprises and thereby exacerbating the Soviet state's budgetary crisis. It was desperation in the face of the huge cuts they saw on the horizon, Miller argues, that drove the coalition of military, industrial, and security-service plotters to launch a coup in August 1991. When they failed to offer a workable alternative to Gorbachev's reform program, Miller concludes, their fragile authority evaporated.

Miller lays most of the blame for the USSR's collapse at the feet of entrenched economic interest groups that proved far more powerful than their supposed masters. Far from being able to use the inherent power of his position as General Secretary to push forward *glasnost'* and *perestroika*, Gorbachev comes across as a relatively weak figure, constantly running up against the impassive resistance of the sectoral managers who really ran the Soviet state–and eventually ran it into the ground. Given this context, Gorbachev's pursuit of political reform, Miller argues, was not the product of a naïve emphasis on democratization at the expense of economic measures, but stemmed from the very real need to outflank the obstruction of agricultural, military, and industrial lobbies that were holding up much-needed economic restructuring. "The Soviet system proved unreformable," Miller concludes, "not because its economic problems were insurmountable, but because it entrusted vast political power to groups that had every reason to sabotage efforts to resolve the country's economic dilemmas" (181).

Backed by extensive research in the Russian archives, Miller's case is a strong one. *The Struggle to Save the Soviet Economy* should be read by anyone attempting to come to terms with the dynamics that lay at the heart of the Soviet Union's collapse. Despite the book's extensive evidentiary base, Miller does not get bogged down in extensive quotations, but instead marshals his sources to convey his argument in a fluid and compelling style. Indeed, *The Struggle to Save the Soviet Economy* is the most lucid account of the domestic politics of Soviet economic reform that I have read. Moreover, its concision and clarity mean that it would make a fine addition to graduate and even undergraduate readings lists on the Cold War and Soviet history.

Such a strong argument on an important and complex subject, however, will naturally raise questions. One is whether the Chinese path was applicable to USSR, even if Soviet domestic political opposition had been lower. In 1978, at the time of Deng Xiaoping's ascent, 71% of Chinese workers were employed in agriculture, compared to just 14% in the Soviet Union when Gorbachev came to power in 1985. The proportion of Soviet workers in the industrial sector in 1985 was over twice that of China in 1978, while the share working in transport and construction was five times higher. Reformers may have looked to China for inspiration, but the fact was that the Soviet Union was at a very different stage of economic development than the PRC. As Jeffrey Sachs and Wing Thye Woo have pointed out, while the PRC "was a peasant agricultural society" at the beginning of its reform program, the Soviet Union–with its huge output of industrial products such as steel–was, if anything, "overindustrialized."[1]

For all of its communist trappings, at the end of the 1970s China faced challenges that were common to poor countries: how to shift from an economy primarily based on agriculture to the industrial stage of development. The Soviet Union, by contrast, was presented with a fundamentally different problem: how to transform an industrial, centrally planned, middle-income economy into a mixture of high-tech industry and services that could effectively compete with North America and Western Europe–in other words, "structural adjustment."[2]

The Struggle to Save the Soviet Economy does not suggest that Soviet reformers ever grappled with the profound differences between the two countries' starting points and objectives. Gorbachev and his inner circle instead focused on the two states' superficial similarities and became frustrated when reforms were derailed, or failed to have the same effect. Miller mentions the fact that China's relative underdevelopment meant the entrenched lobbies that were a feature of the Soviet system were not present in the PRC's case (178-179). Yet in placing so much blame on their opponents, Miller perhaps underplays the Gorbachev camp's own illusions regarding the similarities between the Soviet Union and China and hence the applicability of Chinese reforms to the Soviet economy.

Miller argues that the Chinese case shows economic reform of communist states was possible (181). Yet, given the fundamentally different challenges the two projects faced, it is not clear to me that the success of Chinese reforms proves that this path would have worked in the Soviet context, even if domestic opposition had in some way been neutralized. The question as to whether the hurdles facing Soviet economic restructuring were insuperable is complex and perhaps unresolvable, but the USSR's economic uniqueness certainly suggests that there was a higher chance of chaos resulting from Gorbachev's misapplication of lessons from China than Miller makes out. Soviet managers certainly acted out of their own self-interest to derail new measures, but it is possible that they also harbored broader misgivings about the impact that Gorbachev's reforms would have on the basic functioning of the USSR's economy.

Ultimately, though, this is a minor difference of emphasis. *The Struggle to Save the Soviet Economy* is excellent book that deserves a wide readership, both among specialists and in the classroom. Both in this work and elsewhere, Miller has a keen eye regarding the implications of his story for Russia's post-Soviet development, which means his book should also find an audience within policymaking circles.[3] *The Struggle to Save the Soviet Economy* has made a great contribution, both by drawing our attention to the neglected Chinese influence on *perestroika*, as well as the way in which it uses that dimension to underline the fundamental difficulties that Gorbachev faced as he attempted and failed to resolve the challenges of Soviet economic reform.

[1] Jeffrey Sachs and Wing Thye Woo, "Reform in China and Russia," *Economic Policy* 9 (April 1994), 104, 106, 110.

[2] Sachs and Woo, "Reform in China and Russia," 103.

[3] Chris Miller, "Why Putin's Economy Survives," *Wall Street Journal,* 29 December 2016, https://www.wsj.com/articles/why-putins-economy-survives-1483020001.

Review by Yakov Feygin, The University of Pennsylvania

In an apocryphal story, Chinese Premier Zhou Enlai, was asked about the significance of the French Revolution at a 1969 embassy party marking the 200th anniversary of the event. The hardened revolutionary Marxist supposedly responded to the question with the words 'too soon to tell.' A more recent, and perhaps just as difficult question has perplexed scholarship on Russian studies, transition economics, and political science since the 1990s—"could Russia have taken the Chinese path and avoided the economically ruinous 1990s?" In his new work, *The Struggle to Save the Soviet Economy: Michael Gorbachev and the Collapse of the USSR,* Christopher Miller makes an informed and strident attempt to answer this question. Using long available but criminally underutilized primary sources on Soviet policymaking in the late 1980s, Miller presents us with a compelling portrait of Mikhail Gorbachev as a political leader with dilemmas such as interest group politics, scheming aides, and budget decisions that would be familiar to any major politician. In doing so, Miller hopes to demonstrate that the failures of *perestroika* were neither solely economic nor political but rather a product of a particularly Soviet political-economic problem of a state that "invested vast political power to groups that had every reason to sabotage efforts to resolve the country's economic dilemmas." (181) Miller concludes that "the USSR—Gorbachev in particular—tried to implement Chinese economic reforms" but was ultimately undermined by powerful traditional lobbies (179).

Miller's focus on the Soviet-China comparison structures the organization of his book. In his opening chapters, he tries to convince the reader that Chinese experiences were indeed relevant to Soviet authorities as the discussion on economic reform began. Miller begins the work by situating the politics of *perestroika* into a debate over which model to follow for the future of the Soviet economy. It is widely known that, since the mid-1950s, Soviet reformers were keenly aware of the processes occurring in their Eastern European satellites such as Hungary, in which private enterprise was slowly reintroduced, and Poland, with its uncollectivized agriculture. Furthermore, scholars such as Robert English and Archie Brown have long stressed the importance of Western-inspired intellectuals to the origins of Gorbachev's reforms.[1] What Miller provocatively shows is that from the vantage point of the critical period of the mid-1970s to 1985, these Eastern European and Western models, were, for many observers, undergoing a crisis. The future, for some of these thinkers on both sides of the Iron Curtain, lay to the East with the state-led, capitalist 'Tiger Economies' of Japan, South Korea, and China. Next, Miller shows that Soviet intellectuals were well aware of the changes happening in China and, in the case of influential liberal thinker Fedor Burlatskii, were openly admiring of them. The reader leaves the first part of the book with contradictory impressions. If the goal is to simply prove that the Soviet leadership under Gorbachev was well aware of the Chinese experience and could draw on it for its own initiatives, then the job is well done. However, as Miller admits, China's experience was just one of many reform socialist models that Soviet leaders could have drawn from. Furthermore, the other central claim of this section—that China became a "trump card in Soviet debates" has a larger history (54). 'China' and 'the Soviet Chinese' had been popular reformist tropes regarding their rivals since the mid-

[1] Archie Brown, "Transnational Influences in the Transition from Communism," *Post-Soviet Affairs* 16:2 (2000): 177-200; Robert English, *Russia and the Idea of the West Gorbachev, Intellectuals, and the End of the Cold War* (New York: Columbia University Press, 2000).

1960s.[2] The Chinese reforms simply turned this political habit around but may not have changed the depth of its contents.

Next Miller presents what is the strongest and most compelling part of his book—a discussion of pressure-group politics and its impact on *perestroika*'s policy outcomes. Here, the book's prodigious and detailed uses of primary sources, both archival and printed, bear their fruits. Miller is able to succinctly explain the goal at the heart of all of Gorbachev's economic initiatives: the need to consolidate the Soviet rust belt and stop the ever expanding use of the state budget to subsidize industries with falling productivity. The problem was that these industries were some of the most powerful political players in the USSR and fiercely defended their prerogatives. Miller presents the story of nascent Soviet special economic zones (SEZs) as a case study of all the phenomenon at play in the story. Gorbachev viewed the Chinese experience of SEZs as both a useful tool to boost the Soviet economy—providing it with precious hard currency and foreign technology. SEZs were also political tools whose experience could circumvent institutional resistance to change by carving out special areas into which the old interest groups could not interfere. The problem with these new SEZs were two-fold. First, Soviet labor costs were too high to attract foreign investments into basic value added industries, such as textiles, for export. Indeed, the SEZs were purposely located in the Soviet Far East in order to import cheap Chinese labor. The other reason was a basic lack in state capacity. As the Soviet Union was collapsing at its center, these peripheral zones that were meant to work outside the usual spheres of Soviet law still could not effectively guarantee that property rights would be enforced for foreign investors. This leaves a tantalizing question: could SEZs have worked had they been tried earlier, before 1989-1990. Miller's other case study of interest-group politics is the reform of the agricultural-industrial complex. Here, as in previous chapters, the Chinese comparison guides the discussion. Could the USSR, like China, have started its reforms by decollectivizing the agricultural sector, thereby fixing the Achilles' heel of the economy? Here, Miller again shows us that politics determined the answer to that question: a decisive no. Despite the pleas of many experts, the political power of the agricultural-industrial complex was too strong and its representatives in the Politburo fought tooth and nail to stall any reforms. Indeed, Miller argues that Gorbachev was aware enough of this lobby's power to avoid engaging it early on in his tenure.

Miller ends his book with a discussion of the political dénouement of the 1991 collapse of the Soviet Union. Could the Soviets, like the Chinese, have used force to stop the disintegration of the state and to create an authoritarian-capitalist economy? In this concluding chapter Miller focuses on an underappreciated element of the USSR's political crisis: its long budget crisis. With no way to cut his budget due to the influence of strong interest groups like the military-industrial complex, Gorbachev had to rely on popular mobilization to fight off his rivals and to cushion the falling quality of life caused by inflation. This meant devolving budgetary power to the Republics, thereby exacerbating the budgetary crisis. The final crisis of the Soviet state, the failed 1991 coup, removed the impasse to truly radical reform. When the State Committee on the State of Emergency (GKChP) took the reins, it did so as a representative of the military-industrial complex and other powerful groups that were fighting to preserve their privileges. Therefore, unlike China, not only did the USSR not have an authoritarian grouping that could enforce state capitalism, but this grouping could not present a coherent economic policy, thereby losing its credibility almost immediately. The political basis

[2] Sergey Radchenko, *Two Suns in the Heavens: The Sino-Soviet Struggle for Supremacy* (Stanford: Stanford University Press, 2009), 166-171.

for an authoritarian-capitalist option was therefore non-existent and the failure of the coup was over-determined.

Miller's book is the first truly historical, archivally driven treatment of *perestroika* and its failures. While other historians have worked on the era intermittently and without heavy use of primary sources, and political scientists have mostly used conjecture, Miller has shown that late Soviet history is not only an area of study but one with extremely accessible source materials which have been available over the past decade. Miller's innovations are not surprising but rather reflect a deep, sad dive in how the history of the Soviet Union has been written. A quick glance at the endnotes shows that the book is overwhelmingly based on the edited politburo notes of Gorbachev advisor Anatoly Chernyaev which have been available in the archives of the Gorbachev foundation for decades and have, since 2007, come out in a published collection supplemented by the notes of Politburo member Vladim Medvedev and Gorbachev advisor Gregory Sharnazarov.[3] Another major source for the work are the Archives of the Academy of Sciences of the Russian Federation [ARAN] which contains the records of the major policy research institutes of the USSR making it a backdoor into the deliberations of the Central Committee and the Politburo. The fact that Miller is the first (though not the last) to explore these sources in a domestic context is not surprising, as his background is in the history of international relations. A student of John Gaddis, the dean of the so called "New International Cold War History" and participant in Arne Westad's "Cold War Seminar" at the London School of Economics, Miller's research trajectory has been shaped as much by these scholars as it has been by the traditional post-revisionist Soviet historiography. The use of Gorbachev-era printed and archival primary sources, especially the invaluable notebooks of Chernyaev, is routine for scholars of Soviet international relations. However, as Miller points out, scholars of the Soviet Union as a whole tend to be unaware of their existence. It is a great shame that more historians of the Soviet Union do not interact with the Cold War historiography and have generally, mistakenly relegated it to being simple diplomatic history.

Miller's background also shapes the book's other major historiographical innovation—it is an unapologetically political history with most of its actors either policy elites or highly placed leaders. This means that it is able to treat Soviet politics as legislative politics. In fact, Miller uses the term 'legislation' many times to describe policy initiatives going through the Politburo. This is extremely useful as it does much to demystify the Soviet political process and help us contextualize Soviet politics into larger processes happening across the world. Classic works of Soviet history like Moshe Lewin's *The Making of the Soviet System* have allowed us to treat Stalin-era politics as more than an ideologically driven project but one with real interest-group competition.[4] Indeed, though often maligned, the work of Sovietologists such as Jeffery Hough and Thane Gustafson, has stood the test of time and has often been confirmed rather than debunked by archival research.[5] Yet, the retreat of purely legislative and political history in both the field of history in general, and in Russian and Soviet history more specifically, has meant that works on high politics and political economy have been exceedingly rare.

[3] Anatoli Chernyaev, *et. al., V politburo KPSS: po zapiskam Anatoli Chernayeva, Vladim Medvedeva, i Gegorii Sharnazarova* (Moscow: Business Books, 2006).

[4] Moshe Lewin, *The Making of the Soviet System: Essays in the Social History of Interwar Russia* (New York: The New Press, 1994).

[5] Jerry F. Hough, *The Soviet Prefects: The Local Party Organs in Industrial Decision-Making* (Cambridge: Harvard University Press, 1969); Thane Gustafson, *Crisis amid Plenty.* (Princeton: Princeton University Press, 1991).

Miller's background as a historian of international relations also structures how he thinks about his research subject and the prominence of the China comparison. At times, the reader is left wondering, 'why China?' Indeed, the book's description of *perestroika*-era institutional politics stands alone as a major contribution to the field. The reader is left with an impression of the importance of the Chinese example but not convinced that it was the most important precedent for Soviet economic reform, or even a useful one. Indeed, as Miller himself points out, Hungary followed many of the same policies as China and was probably much more referenced in popular literature about models of reform socialism. Indeed, one cannot even say Hungary did not try to stimulate its economy through export-led growth. As recent research has pointed out, Hungary imported cheap Cuban labor to staff factories designed to service the foreign market.[6] So why is China so central to the story? Miller is very explicit that it is the success of Chinese market reforms that have, in hindsight, made the Soviet-Chinese comparison so tempting and that the book is an attempt to answer why the idea of Soviet 'failure' and Chinese 'success' is not a matter of economics or Soviet ignorance but rather one of politics. However, is this the right question to ask, or is the question itself ahistorical? In his conclusion, Miller calls the Soviet Union "a country caught in the middle-income trap" (181)—a term popularized in a series of papers written by economists Barry Eichengreen, Donghyun Park, and Kwanho Shin arguing that so-called "middle income economies" are rapidly growing countries which mobilize cheap labor to overcome gaps in technology and capital.[7] These economies can reach tremendous growth rates until they hit an average income of $17,000 (in 2005 U.S. dollars) or when approaching 57% of the countries 'technological frontier,' as measured by the contribution of technology to the total factor productivity (the portion of growth not related to capital or labor inputs of which technology is usually a large share). To break through this trap, economies need to shift from export-led growth driven by cheap labor to a consumption-led economy driven by technological innovation. Eichengreen, Park, and Kwanho's papers are also based around the China question—when will China's rapid economic growth slow down? Thus, if China and the USSR are both "middle income economies" is it fair to establish a comparison between the USSR in the 1980s, at the end of its high growth period, and China in the 1980s as its growth was just beginning?

This question becomes ever more salient if we dig a bit more into the economics of the "middle income trap." Much of the intellectual infrastructure of development economics comes from the problem of capital-labor substitution—or how much labor time can be used to replace the efficient allocation of capital into labor saving technologies that can increase productivity. The classic, field defining model—the W.A Lewis' "Dual Sector Model" (itself replicating some of the results of the then unknown, more complex 1928 Soviet "G.A. Feldman Model"), argues that the problem of developing economies is that their labor is mostly employed in subsistence agriculture, which is an inefficient means to employ that labor.[8] Because any economy that relies on subsistence or similarly low output agricultural output produces low amounts of surpluses that can feed a non-agricultural population, the population of the countryside is by definition "underemployed" as they can create more wealth if employed in other sectors fed by a productive agricultural sector. The challenge for

[6] James Mark and Bálint Tolmár, 'From Heroes Square to the Textile Factory: Encountering Cuba in Socialist Hungary 1959-1990' (manuscript).

[7] Barry Eichengreen, Donghyun Park, Kwanho Shin, "Why Fast Growing Economies Slow Down: International Evidence and Implications for China," *NBER Working Papers* 1619 (March 2011); *Idem.,* "Growth Slowdowns Redux: New Evidence for the Middle Income Trap," *NBER Working Papers* 18673 (January 2013).

[8] Douglas Gollin, "The Lewis Model: A 60-Year Retrospective," *Journal of Economic Perspectives* 28:3 (August 2014): 71-88.

developing economies is to build enough of a capital base to allow for the introduction of labor saving technologies that will move their population from the countryside into capital intensive production. On the other hand, because their populations are so under-employed, underdeveloped countries can reach extremely high nominal growth rates by using their labor surplus. As William Easterly and Stanley Fischer showed in their 1994 NBER study, the Soviet Union was a classic example of the Williams Model at work. As the USSR's underemployed peasant population was driven into the factories, the USSR achieved spectacular rates of growth with very little efficiently invested capital. However, by the late 1950s, the USSR had reached the limits of what labor-led growth could bring. As the capital-labor substitution rate turned against it, the USSR's once rapid total GDP growth began to decline. [9]

The Soviet growth story exposes the politics at the heart of economic development. The challenge of entering the growth period of the Lewis model and then of shifting the economy to a consumption led economy with high technological growth to clear the "middle income trap" requires institutional change and financial innovation. In his own way, Karl Marx understood this when he spoke about "the primitive accumulation of capital," the stage in capitalism in which violence was used to directly seize capital from self-sustaining peasant households. Soviet dictator Joseph Stalin understood this too, and directly cited Marx when speaking about the USSR's need to exploit its peasants in the absence of foreign and colonial sources of capital. The collectivization of the peasantry, an explicitly political act, was thus needed to spur 'take off' growth in the USSR without engaging with 'foreign capital.'[10] China seems to be in the exact opposite position as the greatest example of the success of 'export led growth.' Or is it? China itself has engaged in a less violent form of exploiting its low-efficiency workforce. The increasingly popular discussion of 'currency manipulation' by China has obscured its history and role in domestic Chinese politics. To borrow the term of the Stanford economist Edward Shaw, Chinese workers are 'financially repressed.' For each dollar that Chinese workers earn from exports they earn a small share of equivalent renminbi (RMB). This is accomplished via state intervention in the currency market. The People's Bank of China (PBoC), the Chinese Central Bank, sets the exchange below the market rate which means that the Chinese state budget keeps a portion of the profits generated by the exporting enterprise. This accumulation of dollar-based assets on the Chinese balance sheet is why, before 2008, China was such a glutton for U.S. government debt—it needed to park its dollar assets into some kind of safe assets in lieu of keeping it under a mattress or buying goods that would shift the balance of trade. The point that is most important for our purposes is that this rapid growth came at the expense of the Chinese workers' consumption.[11] At the early stage of the Lewis development model, this is a good deal for everyone involved as the low base level of consumption in the economy means that the nominal gains accrued by the population more than offset the fact that they are not getting their full share of real

[9] William Easterly and Stanley Fischer, "The Soviet Economic Decline: Historical and Republican Evidence" *NBER Working Papers* 4735 (May 1994).

[10] On Stalin's understanding of primitive accumulation see "Speech to the Assembled Railway Workers of the Stalin Railway Shop, October Railway," 1 March 1927; on the Soviet reading of Marx's primitive accumulation and industrialization see the discussion in Robert C. Allen, *Farm to Factory: A Reinterpretation of the Soviet Industrial Revolution* (Princeton: Princeton University Press, 2009).

[11] Paul Jenkins Thomas A. Bernes Perry Mehrling Daniel H. Neilson, "China's Engagement with the Evolving International Monetary System: A Payments Perspective" *CIGI Special Reports,* 25 September 2014, https://www.cigionline.org/publications/chinas-engagement-evolving-international-monetary-system-payments-perspective; Michael Pettis, *The Great Rebalancing: Trade, Conflict, and the Future of the World Economy* (Princeton: Princeton University Press, 2013).

economic growth in units of consumption. However, as we approach the middle-income trap, this becomes a bigger political problem as nominal increases in consumption are no longer felt by the population.

So where does this leave us with the story of China and the USSR? Since 2008, China has been one of the few growing economies around the world. While most developed countries have faced decades of stagnation, China has been posting brisk growth rates. However, as global consumption has slowed down and China's own population has growth richer, these rates are lower and are no longer based on exports but rather on internal investments financed by leverage. China has been spending on infrastructure at a rate unparalleled in world history. This has had dramatic consequences for Chinese financial institutions. The once disciplined Chinese budget that Miller contrasts with that of the USSR, is now out of control for the very same reason the USSR's was—the inability of the central government to reign in regional borrowing. Meanwhile, state owned and semi-state owned enterprises (the line is not always clear) have gone on borrowing binges, adding even more leverage to the budget that does not show up in official accounts. Like the USSR in the late 1980s, the state has taken steps to liberalize financial markets and increase private property ownership but is experiencing 'growing pains' as the prerogatives of state control and growth clash with the logic of market finance. China's equity markets have been some of the most volatile in the world with what some commentators label "the great ball of debt"[12] driving fluctuating asset prices and leaving government authorities grasping for solutions. These often wind up playing to the government's instincts to use administrative measures, such as arrests of short sellers. Moreover, this high leverage means that returns for every Yuan invested are beginning to fall, impinging on the ability of the state to stimulate further growth in the near future. In many ways then, China looks more like the USSR in 1959 than the USSR in 1985 looked like China in 1985. This is not to say China is destined for stagnation and collapse. Strategic investments in leading, value-added industries could still lead to stable growth, while the creative liberalization of financial markets could disarm the 'debt bomb.' However, this is a rocky road over which politics, as much as economics, will be pulling China. Witness the attempt to liberalize and 'internationalize' the RMB. Despite grand talk of eventually turning it into a global currency, and a politically driven decision by the International Monetary Fund to include it into the Special Drawing Right (SDR), China has stepped back in its efforts fearing control over domestic interest rates.[13] It is no wonder then that Soviet history has become relevant in a China that is fighting against the "middle income trap."

In the end, Chris Miller has written a masterful work of institutional and legislative history. His efforts to historicize the collapse of the Soviet economy and its relationship to the Soviet state as well as to contextualize it into the larger political-economic problems of the twentieth century is a vital historical intervention into a field that has for the most part ignored economic and political history and consigned the final decades of the USSR to the work of political scientists. As to the question of understanding the Soviet experience in the Chinese mirror, Zhou Enlai supposedly said it best: "too soon to tell."

[12] Tracey Alloway, "The Great Ball of China Money Rolls Into Bonds Leaving Leverage and Distortion in its Wake" *Bloomberg,* 19 October 2015, https://www.bloomberg.com/news/articles/2015-10-19/the-great-ball-of-china-money-rolls-into-bonds.

[13] For excellent examples of discussions on the challenges of China's economic future see: Gabriel Wildau and Tom Mitchell, "The RMB Stalls on the Road to Being a Global Currency: New capital controls lead to doubt, especially over hopes of forcing economic reform" *The Financial Times,* 11 December 2016 available at: https://www.ft.com/content/e480fd92-bc6a-11e6-8b45-b8b81dd5d080; "Forum the Coming of A China Debt Crisis?," *The Private Debt Project,* January, 2016, available at: http://privatedebtproject.org/view-articles.php?Forum-The-Coming-of-a-China-Debt-Crisis-7.

Review by Michelle Getchell, U.S. Naval War College

How seriously should scholars take the idea that the Soviet Union could have profitably pursued the Chinese path of economic development? Could the Soviets have embraced free-market economic reforms while keeping intact a one-party Communist state? Chris Miller answers this question in his provocative new book with a resounding 'no.' He demonstrates that the championing of perestroika and glasnost under the regime of Mikhail Gorbachev was opposed by the most powerful sectors of Soviet society. According to Miller, "the ultimate cause of the Soviet Union's collapse" was "political paralysis produced by the powerful forces who opposed economic reform" (4). In short, "Chinese-style authoritarian politics could never have supported Soviet economic reform, because the most reactionary institutions–above all, the military–were the most opposed to the measures needed to stabilize the economy" (9).

Miller opens his study by debunking the popular notion of perestroika as an attempt to emulate the West. Before 1989, he demonstrates, "the West in general and America in particular were far less significant as sources of economic ideas than is usually thought" (19). In the late 1970s and early 1980s, as the United States suffered from high unemployment and inflation, a structural decline in manufacturing, and a series of financial crises, the Soviets looked East for inspiration. Despite a century of geopolitical rivalry between Russia and Japan, Soviet economic advisers touted the Japanese 'economic miracle' as the wave of the future. Japan's state-led economic growth was favorably contrasted with the inefficiencies and corruption of Western, and especially U.S., industrial enterprise. Positing Gorbachev's 1986 speech in Vladivostok as a "sea change in Soviet thinking about international politics and economics," Miller reshapes our understanding of perestroika by examining its "Asian roots" (29).

An ideological thaw accompanied improved relations between the USSR and China years before Gorbachev's ascendance to power. By 1985, the academic debate over the future of economic reform was robust. Gorbachev appointed many of these academic economists to key positions in which they were primed to influence the direction of Soviet economic policy. China specialists employed ideological justifications for the legitimization (or delegitimization) of efforts to reform the Soviet economy. Through an examination of interest group politics, enterprises, agriculture, and the military-industrial complex, Miller demonstrates that Gorbachev and his team of 'new thinkers' were unable to implement meaningful reforms because of the political power of entrenched sectors of the economy that benefited from inefficiency.

Though some have argued that the collapse of the Soviet economy was inevitable, due to a combination of declining oil prices, a decaying industrial base, and structural economic inefficiencies, Miller contends that the financial collapse was instead due to "political decisions – and indecision caused by political conflict" (148).[1] Ultimately, then, this is a work about the politics of economic decision-making. As revenues plummeted, the Kremlin faced a severe budget deficit. Raising taxes was just as politically unfeasible as cutting spending, and the decision to print money to bridge the gap between revenues and expenditures resulted in hyperinflation and shortages.

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[1] On the inevitability of the Soviet collapse, see Yegor Gaidar, *Collapse of an Empire: Lessons for Modern Russia* (Washington, D.C.: Brookings Institution Press, 2010); Stephen Kotkin, *Armageddon Averted: The Soviet Collapse, 1970-2000* (New York: Oxford University Press, 2003); and Martin Malia, *The Soviet Tragedy: A History of Socialism in Russia, 1917-1991* (New York: The Free Press, 1994).

Much of the ground Miller covers here will be familiar to readers, particularly the details of the financial crisis that plagued the Soviet economy in the 1980s. And one does not need to be particularly astute to notice parallels. The theme of bureaucratic resistance to reform is almost universally relevant and can be applied across cultures and historical eras. American readers will find themselves nodding at sentences like this one: "Soviet political leaders could not agree on who should pay the costs of this deficit via higher taxes or lower benefits, so the budget was funded by printing money" (145). In short, there are important lessons here that transcend the particulars of the Gorbachev-era Soviet Union.

Miller's work raises a number of interesting questions. Why exactly was China able to implement reforms that some Soviet leaders sought to emulate? Did China owe its success more to effective politicking or were there fundamental cultural differences that help explain the discrepancy? Was Chinese bureaucracy less onerous, less powerful, and less entrenched than the Soviet bureaucrats who foiled Gorbachev's reform efforts? Miller suggests that this was indeed the case but eschews a more rigorous comparison of the Chinese and Soviet systems. To what extent did Soviet bureaucrats marshal ideological justifications for their opposition to economic reforms? To what extent were those ideological shibboleths earnestly proffered and to what extent did they mask more mundane concerns? Again, Miller touches on this occasionally but it is not the focus of sustained analysis. Ultimately, we learn more about what Soviet scholars and policymakers thought about Chinese economic reforms than about the reforms themselves. This is perhaps to be expected in a book about the collapse of the Soviet economy, but it does encourage the reader to wonder how closely Soviet analyses matched Chinese realities.

Review by Kristy Ironside, McGill University

In this succinct and provocative book, Chris Miller begins with a simple question: "Could the Soviet Union have taken a 'Chinese path'?" (2). In other words, would the implementation of market reforms and continuing adherence to undemocratic politics have prevented the Soviet collapse? The answer, again put simply, is no. Moreover, as becomes clear by his conclusion, the more appropriate question is: Why *didn't* Chinese-style market reforms save the Soviet economy? As Miller convincingly argues, it was the sclerosis of late Soviet politics, in particular, the influence wielded by powerful economic interest groups that were not present in the Chinese context, which prevented the market reforms that were so successful under Chinese leader Deng Xiaoping from being implemented under Soviet leader Mikhail Gorbachev, despite his strong desire to emulate China's example in turning around a stagnant socialist economy.

Perestroika, as Miller notes, is often viewed as another in a long line of Russian "march[es] to the West"; however, by the 1980s, the Soviet Union's 'near West,' the debt-ridden and politically tumultuous socialist countries of Central and Eastern Europe, as well as the United States and its rusting steel belt, had lost its allure for Soviet economic analysts and policymakers alike (20-22). Rather, it was the surging economies of Asia and the Pacific world that captured their imagination (23-29). As the Soviet Union turned East, it took another look at China. Although relations were still fraught in the wake of the Sino-Soviet split and this, at least on the surface, set the tone for Soviet analyses of China until the mid-1980s, the Soviet Union nevertheless had a wide array of experts on China with a sophisticated grasp of its politics and economy (34). China stood out to analysts like the disaffected Khrushchev-era reformer-turned-sinologist Fedor Burlatsky, not only because of shared fundamental Communist principles, but also because China had found solutions to common economic problems: lack of growth, waste and inefficiency, and an unmotivated and undisciplined workforce, especially in the countryside. In the last decade of the Soviet Union's existence, Soviet leaders, policymakers, and analysts affiliated with dedicated research institutes and embedded among Gorbachev's advisers closely studied and monitored the success of Chinese reform architect Deng Xiaoping's market-based initiatives. Under his leadership, China rejected many of the longstanding economic principles of Maoism, including centralized plans and ideological imperatives, in favor of increased material incentives, greater decentralization in decision-making, and more cooperation with capitalist countries–in sum, measures that resembled a rejection of socialism and a return to capitalism, but also appeared to be remarkably successful in rejuvenating the Chinese economy and legitimating the Communist Party, and thus presented themselves as viable alternatives to Soviet reformers.

Why did these reforms prove so unworkable in the Soviet context? In a word: politics. As Miller observes, powerful interest groups emerged in the last years of the USSR, pulling Soviet politics in different directions, and leaving Gorbachev "alone in the middle, unable to set up a coherent course, bereft of a political base, and bankrupt" (55). This was not the conflict between liberalizers and hardliners that most accounts of perestroika focus on; rather, "underneath ideological debates between reformists and traditionalists… cadres were deciding everything" (56). Long-serving officials who had survived the Soviet dictator Joseph Stalin's purges and had a stake in the stability of the existing system had developed important channels of influence and patronage networks–powers which they used to obstruct, delay, and limit Gorbachev's reforms. Miller identifies three major interest groups: farms, energy companies, and the military, all of which were intertwined with the Party and government and had 'their' men defending and advocating for their interests (58). Because of their size and clout, these groups managed to avoid bearing the consequences and costs of reform (60). Billions of rubles in subsidies flowed to these bloated, wasteful, and unprofitable sectors of the economy, exacerbating a growing budget deficit that was 'solved' by printing money. This, in turn, caused inflation, shortages, and unrest but allowed spending programs to remain virtually untouched. Politics also meant that other options, such as raising prices and depressing consumption, were off the table: the Soviet government had learned its lesson in Novocherkassk in 1962, when increased meat and butter prices was met with a violent backlash. Gorbachev feared the consequences of the population feeling price hikes before they felt the benefits of reform–a development that would happen eventually, but not deliberately. This left Gorbachev with one risky move, in Miller's interpretation: a gamble that Chinese-style enterprise reorganization, special economic zones, foreign joint ventures, and independent farms, among other liberalizing reforms, would jumpstart production just as they had in China, and the increased economic growth would buy time, resources, and legitimacy to solve the deficit problem (72).

However, Gorbachev needed the support of the very same interest groups who were vehemently opposed to reform to push through his initiatives, and it did not come easily or cheaply. They extracted concessions for their cooperation, limited the scope of experimental reforms, and watered down the most radical changes at every turn. Soviet attempts to turn Vladivostok into a Soviet Shenzhen, a special economic zone in China featuring privileged tax rates as an incentive for foreign investment, quickly fell apart: the local government and Party organ's excessive rules and inflexibility deterred foreign investors and the area soon became something like a domestic tax haven (113-117). Similar to China's successful attempts to rework material incentives in the countryside, Gorbachev sought to abandon collectivization and revitalize the Khrushchev-era "autonomous link" system by which small-scale, mostly family-run farms operated independently of the collective farms peasants were violently forced into under Stalin that paid minimal to no money wages and gave zero incentives for hard work or increasing efficiency (121-122). Farms working under the link system were paid according to what they harvested and had a clear incentive for producing more. The farm lobby resisted the expansion of the link system, arguing that it was not poor incentives that were to blame for low productivity in the countryside, but a deficit of tractors and herbicides (132). Entrenched economic interests continued to do what the 'economy of shortages' had incentivized them doing for decades: bargain for and hoard resources. Indeed, all three of the economic lobbies Miller identifies ransomed even their tepid support in exchange for more subsidies. In each case, Gorbachev was forced to make painful compromises and agree to more spending that put further pressure on the deficit-plagued budget.

The Soviet Union looked to China in another important way: with the mounting fiscal crisis, growing social unrest, and the republics pulling away from the Union, Soviet hardliners saw China's actions in response to the protests in Tiananmen Square as a possible direction Soviet politics could take (145). Some seized upon it as an example of why Soviet politics should be recentralized. Miller provides a novel spin on hardliners' logic behind the August 1991 coup, emphasizing that when the army, disgruntled by proposed cuts, finally did rise up, it was not acting alone (168). The other major economic lobbies also supported the coup, fearing that the next round of cuts would fall on them: "If they did not seize power, the coup leaders reckoned, they were about to get hit with a big bill" (169). However, the plotters failed to realize that "unlike in China, the army and its allies were not the solution to the country's economic problems, they were its cause because they were bankrupting the government" (171). When it became clear the generals had no plan to fix the country's economy, the coup fell apart and the Soviet Union continued its disintegration.

Miller rebukes commentators on the right and on the left of contemporary political debates who have argued that the Soviet Union might have staved off collapse had it followed China's example: in the case of the former, by rejecting democratization, holding on tight to political control, and 'focusing on the economy,' and in the case of the latter, by gradually liberalizing as China did and avoiding the sudden, disorienting changes caused by mass privatization and rapid liberalization in the 1990s. Both arguments are, in his view, wrong. The notion that political and economic reforms were separate processes misunderstands Soviet politics; they were interlinked and the most divisive political debates were fundamentally about the distribution of resources (177-178). Arguments that the Soviet Union should have followed China's example miss the point that the Soviet Union *did* try to implement Chinese-style reforms; where those reforms diverged from the Chinese path, it was because powerful interest groups obstructed Gorbachev's policies, as is most clearly visible in fiscal and monetary policy. Gorbachev turned to democratization and liberalization, Miller contends, to loosen the grip of these paralyzing political forces who, despite Gorbachev's attempts to coopt them, rightly sensed that market reforms held little benefit for them.

This important book not only provides a fresh reinterpretation of *perestroika* and the causes of the Soviet Union's collapse, but offers a sound methodological model for investigations into the Soviet economy. First, it challenges the common depiction of Soviet economics, and social science more generally, as narrowly ideological. Miller demonstrates that economists were keenly aware of what was being discussed and tried elsewhere in the world, even if their commentary and analyses were foregrounded by the Soviet Union's socialist successes and its official line on capitalism and criticisms of its socialist wayward cousins. By analyzing the articles and reports that appeared in research institutes' journals and conferences, Miller reveals the sheer abundance of economic knowledge being produced during this period that was, to a greater or lesser extent, driving economic decision-making or lingering in the air during political debates. Unlike Soviet leader Leonid Brezhnev, who famously complained of reports with 'too many numbers,' Gorbachev sought out and mobilized social scientists' expertise.

Even when the knowledge they produced was rejected, it was not necessarily on ideological grounds. Gorbachev emerges in Miller's depiction less a 'true believer' willing to sacrifice centralized power but unwilling to take the logical step of full-blown capitalism, and more a sympathetic figure aware of the constraints of his position and the political impossibility of market-based solutions.[1] A particularly poignant section deals with Gorbachev's meeting with the sociologist Tatiana Zaslavskaya, most famous for her 1983 Novosibirsk report in which she bluntly addressed the crisis of Soviet agriculture and demonstrated that farms in the Altai region that had adopted the "autonomous link" method showed positive results–a report that was later leaked to the West and led to her being censured. To Zaslavskaya's surprise, Gorbachev, then the Central Committee's secretary for agriculture, agreed with her, but told her that agricultural reform was politically impossible. This, along with Gorbachev's personal and family experience of the nightmare that was Soviet collectivization, should give historians pause in concluding that Gorbachev simply did not understand agriculture or that he underestimated its importance in the reform agenda; he simply understood the powerful political forces arrayed against it (126).

Recent scholarship in Soviet economic history has begun to challenge the idea that politics, ideology, and the Party trumped economic considerations and, in several ways, Miller's account both supports and challenges this framework.[2] If Marxist-Leninist ideology was not shaping policy per se in Miller's account, but instead a

[1] On Gorbachev as a 'true believer' rather than a "ruthless pragmatist" like "a Deng or Beria-type," see Stephen Kotkin, *Armageddon Averted: The Soviet Collapse, 1970-2000* (New York: Oxford University Press, 2000), 178.

[2] Oscar Sanchez-Sibony and Andrew Sloin have argued that economic historians—particularly those critical of the Soviet system—embraced as axiomatic the view that the Soviet party-state had rendered the economy subservient to the demands of politics, ideology, the party, and, ultimately, Joseph Stalin himself. In emphasizing the primacy of the political over the economic, they effectively extended the logic of a broadly construed Soviet "totalitarianism"—the sine qua non of all Sovietology—into all branches of economic life." See: Andrew Sloin and

pragmatic need for immediate solutions to the crisis, it nevertheless served as a powerful constraint on Gorbachev's ability to maneuver within this system. Older economic and Party elites were reluctant to make changes that seemed 'anti-socialist' on their face, such as allowing concessions that came dangerously close to legitimizing private property, or that fundamentally altered institutions, for example, the collective farm, that were still viewed, by the 1980s, as proud achievements of Soviet socialism. Miller makes it clear that Gorbachev believed–indeed, still believes–in Communism. Insofar as he was a 'true believer,' he did not view his market-based solution as conducive to anything but that goal.

More importantly, Miller shows that politics with a small 'p' were driving economic decision-making as much as, if not more than, big political ideas. "The main factor shaping Gorbachev's approach to market reform in these spheres was politics," Miller emphasizes, "…not in the sense of ideological debates about the meaning of Marxism-Leninism, but rather the more mundane business of counting Politburo votes" (72). Interests groups were united by their shared opposition to reform and desire to defend their bureaucratic turf and retain relevance more than by Marxist-Leninist objections to the essence of market reforms. One of the major achievements of this book is to reconstruct the messy, indirect, and often tedious work of translating economic ideas into policy–not only in the Soviet Union but in any complex political ecosystem. Sovietologists, as Miller points out, ultimately relied on publicly available speeches, decrees, and memoirs as their primary sources – documents produced after the ideas had been hashed out, bargains had been made, and heated arguments had been had. Delving into the archives, as Miller has here, allows him to get at the nitty-gritty level of politics at which the economy was shaped, steered and derailed, and show how deep the structural problems of the Soviet economy went.

Occasionally, the reader cannot help but wonder if the Chinese economy was as rosy, stable, and successful as it appeared in Soviet analysts' depictions. We see hints of unresolved and brewing problems in China's inflation woes and in the social unrest that led to the deadly protests in Tiananmen Square in 1989, which, Miller emphasizes, were not just about democratization but partly about economic grievances. But this is a book about Soviet perceptions of China, not about China. It is also occasionally difficult to distinguish when Gorbachev and other commentators were using the Chinese case study to win an argument rather than holding it up as a viable blueprint. Many of the proposed 'Chinese-style' market reforms had already been essentially tried in the Soviet Union during the New Economic Policy, but also under Nikita Khrushchev–the Soviet leader to whom Gorbachev is most often compared, and whose reform program was largely undone and rolled back by Stalin's cadres. This is not a criticism of Miller's analysis per se; he acknowledges that published discussions of China were often proxies for politically sensitive conversations about the Soviet Union that would not pass the censors, most obviously in Burlatsky's early commentary about China. At the very least, the Chinese example allowed Gorbachev and his allies to imagine, however impossible it proved to realize, a way out of the dire situation they were in.

Oscar Sanchez-Sibony, "Economy and Power in the Soviet Union, 1917–39," *Kritika: Explorations in Russian and Eurasian History* 15:1 (Winter 2014) (New Series), 11.

Review by Vladislav Zubok, London School of Economics and Political Science

Chris Miller is on the mark when he writes: "Many scholars have lost interest in seeking new explanations of Russia's shift from central planning to market economics, either thinking (wrongly) that documentation is hard to find, or (also wrongly) that there is nothing new to say" (7). His clearly written, well-structured, and thought-provoking book is a welcome invitation to resume discussion on the fascinating and still topical issue of the Soviet economic crisis and collapse. Especially welcome is the book's focus on new archival evidence and the author's determination to revise standard approaches. Miller challenges old hackneyed explanations, such as the 'inevitability' of the collapse of the Soviet economy and finances, and the allegedly crushing effect of the decline of oil prices. For years, these explanations served as intellectual blocks to historical investigation of the terminal Soviet crisis. Armed with statistics, Miller tells us that "the decline in oil revenue was equivalent to only several percent of Soviet GDP." He continues: "It was just one part of a broader fiscal squeeze that included declining alcohol tax revenue, high consumer price subsidies, and a range of wasteful but politically potent investment schemes in industry and agriculture. Absent all of these other problems, the oil price slump was not, on its own, enough to bring down the Soviet Union" (146).

But was everything that Miller enumerates *sufficient* to bring down the second superpower? The book does not cover vital issues, elaborated by other scholars, such as the effects of political liberalization, the transformation of economic discontent into movements of national separatism ('national liberation') and anti-communist opposition, the zero-sum struggle between Soviet leader Mikhail Gorbachev and Soviet politician Boris Yeltsin, the destruction of ideological certainties by glasnost, and, not to be forgotten, the emergence in 1990 of popular belief in *inevitability* of Soviet Union's disintegration.[1] Still, Miller focuses on the most crucial factor in the gamut of factors: the Soviet economic crisis, and failed attempts "to save the Soviet economy," provided a necessary condition, without which there would be no quick and total Soviet disintegration (216).

Miller forcefully argues that the Soviet terminal crisis of 1989-1991 was not the result of systemic waste and the inefficiency of the Soviet economy, as "the Soviet Union managed to combine inefficiency with stability for seventy years." (146). It was the result of the policies and politics during the time of Gorbachev. The book's verdict: "Political decisions–and indecision caused by political conflict–destroyed the country's economy" (148). The political conflict Miller has in mind took place between Gorbachev and a group of reform-minded economists and politicians, and a coterie of powerful bureaucratic groups, structures, and lobbies. The concept of 'entrenched elites' occupies a central role in the book. These groups, ranging from the agrarian collective farms' lobby to the military-industrial complex, are presented as the main culprits of the excessive monetary demands, the inflationary pressures on the budget, and ultimately the political gridlock that destroyed Soviet finances and the economy. People in these groups, Miller tells us, were purely reactionary, anti-reform, and anti-market. Gorbachev was a captive of entrenched elites rather than a bold, determined reformer. The book presents him as "far weaker than nearly anyone realized," because of "political forces that obstructed Gorbachev at every turn." (9).

[1] On the perception of inevitability of Soviet collapse see Mark R. Beissinger, *Nationalist Mobilization and the Collapse of the Soviet State* (New York: Cambridge University Press, 2002).

This is where my dissatisfaction with Miller's book begins. It starts with sources. The claim about entrenched elites requires ample empirical confirmation. And at a minimum one expects background information on the abovementioned groups and the nature of their obstruction of Gorbachev's reforms. Yet the book does not provide such information. Miller seems to take the opposition to Gorbachev for granted, as if taking a leaf from the anti-bureaucratic perestroika rhetoric, and from statements by Gorbachev, radical economists, and the 'democratic' opposition. We also never find in the book how and why these 'reactionary' groups were able to extract from Gorbachev "handouts" that "tore a hole in the Soviet budget" in 1989-1990 (9). And it is not clear why the same groups, according to the budget data that Miller provides on page 148, were unable to extract those handouts in the supposedly corrupt and "let live" regime of Leonid Brezhnev, but suddenly became successful after Gorbachev came to power, especially since 1988, when his reforms were introduced.

I seem to read the Politburo records quite differently than the author. It is hard for me to find in the records of Politburo discussions exactly which the Politburo members provided, as Miller claims, "fierce opposition" to Gorbachev's reform initiatives, and where these records appear. There is also no specific information as to which member of the Politburo "accused him of rolling back socialism's gains," and "subverted many of his reforms." (88). There is plenty of evidence that Gorbachev's reforms initially evoked considerable support among a great number of Soviet factory directors (Prime Minister Nikolai Ryzhkov, Gorbachev's supporter in 1985-1990, was one of them), and from the party-economic managers (*partiino-khoziaistvennyi apparat*) in many regions and localities. Instead of tapping this support for economic change, however, Gorbachev took an opposite course: he began to treat these people as a chief obstacle to his reforms and ultimately went over their heads by appealing to the 'masses.' In the available sources, I find Gorbachev being extremely unsure on how far he could go in undermining economic and social structures of Soviet economic system. Yet Gorbachev had his ideological convictions. In 1987 the General Secretary, as the Politburo records demonstrate,[2] was the most enthusiastic, and quite unopposed, proponent of structural reforms (more about them a bit later). And it was Gorbachev himself, together with more conservative Politburo members, who objected to Ryzhkov's more radical proposal: to allow the working collectives a collective ownership over state enterprises.

The book moves a bit too fast from Gorbachev-Ryzhkov's reforms of 1987-1988 to the August coup of 1991. The effect of this haste can be misleading: the reader may think that the entrenched interests were always waiting for a moment to overthrow the reform-minded leader. Yet this teleology is not helpful: vast political, economic, and ideological changes took place in the Soviet Union in 1989-1990. The 'reactionary forces' of 1988 were not at all the same as the opponents of Gorbachev in 1991. And instead of focusing on constant factors, it would be better to explain the dynamics of change: why and how it happened that after 1989 the Soviet economy and finances were no longer not governed by the Kremlin and by Gosplan, but, as Miller notes, "by a chaotic mix of local governments, managers of enterprises, and black markets" (149).

The discussion of the errors that Gorbachev and his economists made started even as the Soviet leader was still in power; also, many witnesses of these errors testified about them soon after the end of the USSR.[3] The most

[2] The working notes of Anatoly Chernyaev at the Politburo, 11 June 1987. Anatoly Chernyaev Papers, Russian and Eurasian Studies Centre Archive, St Antony's College, Oxford University, box 1; A.S. Chernyaev, ed., *V Politbiuro TsK KPSS...Po zapisiam Anatoliia Cherniaeva, Vadima Medvedeva, Georgiia Shakhnazarova (1985-1991).* (Moscow: Alpina Biznes Buks, 2006), 196-197.

[3] See Marshall I. Goldman, "Gorbachev the Economist," *Foreign Affairs* 69:2 (Spring 1990), 28-44; also his *What Went Wrong with Perestroika* (New York: W.W. Norton, 1991); Michael Ellman and Vladimir Kontorovich, eds., *The Disintegration of the Soviet Economic System*

consequential error was the policy of economic decentralization, embodied in two decrees: "On State Enterprises" (1987) and "On Cooperatives" (1988). Gorbachev's structural reforms stemmed from his faith in 'democratic socialism' and a mixed economy, inspired by the aborted Kosygin reforms of the 1960s, as well as by Hungarian and Yugoslav economic experiments. And just like those reforms and experiments, Gorbachev's reforms inadvertently opened valves for self-destruction of the old centralized economy from within. A "workers' self-management economy" that Gorbachev seemed to be creating in the Soviet Union was, as economists argue, incompatible with the demands of the international market and undermined fiscal discipline. It was so in the USSR, as it was in Yugoslavia.[4]

The Politburo materials, the papers of Gorbachev's advisers that are stored in the Gorbachev Foundation, and the papers of Politburo member and Gorbachev's associate Alexander Yakovlev reveal the extraordinary role of ideological expectations, illusions, and false assumptions upon which perestroika operated. The most obvious of those illusions was Gorbachev's belief in the future potential of a mixed economy, of a "workers' economy." Only the most perceptive members of Gorbachev's entourage began to acknowledge the negative consequences of this ideological fallacy. Alexander Yakovlev, in a conversation with U.S. Soviet specialist Zbigniew Brzezinsky in November 1989, said: "We until recently simply romanticized possible behaviour of workers at an enterprise. We did not anticipate that with the rise of autonomy of [state] enterprises all funds will go into salaries. And now it happens that the monetary supply has tripled." And two years later, when it was too late, Yakovlev admitted to historian and former diplomat George Kennan: "We have been making mistakes, sometimes gross mistakes–especially in financial sphere. We lost control of money under pressure…" [5] Most of that pressure came not from the military-industrial complex and even the agrarian lobby, but from the directors of state enterprises, trade unions, and politicians in the newly empowered Soviet legislatures, who played neo-populist games.

Miller argues that the main cause of the Soviet economic and financial collapse was the entrenched interests that blocked the reforms from above that could have saved the Soviet economy. My conclusion from the available evidence is different: Gorbachev adopted and pursued misguided reforms of economic decentralization and then political liberalization that accidentally unleashed the uncontrollable forces which, instead of creating a new productive economy, destroyed the old one. To put it bluntly, Gorbachev's economic reforms, with or without opposition to them, doomed the Soviet economy and the Soviet Union. And I am not alone in thinking so. Isaac Scarborough, who studies the effects of late Soviet reforms on the Central Asian periphery, argues that "by the final years of the USSR Gorbachev's reforms had in fact taken full effect: cooperatives numbered in the millions, enterprises were–in full accordance with the 1987 Law on Enterprises–refusing government contracts and producing fewer and more expensive goods, and both actual

(New York: Routledge, 1992); also by them *The Destruction of the Soviet Economic System: An Insiders' History* (Armonk: M.E. Sharpe, 1998).

[4] See on Yugoslavia: Yarashevich, Viachaslau and Yuliya Karneyeva. "Economic Reasons for the Break-up of Yugoslavia." *Communist and Post-Communist Studies* 46 (2013): 263-273.

[5] АЛЕКСАНДР ЯКОВЛЕВ. ПЕРЕСТРОЙКА: 1985-1991 (Alexander Yakovlev. Perestroika: 1985-1991). Неизданное, малоизвестное, забытое. 1989 год [Док. №№ 57–76], Документ № 72 (Document No. 72), Стенограмма беседы А.Н. Яковлева с политологом и государственным деятелем США З. Бжезинским 31.10.1989, http://www.alexanderyakovlev.org/fond/issues-doc/1023986; National Security Archive, Documents of Yakovlev (Russian language collection), Запись беседы Яковлева А.Н и Дж.Кеннана, 1990.11, http://nsarchive.gwu.edu/rus/text_files/Yakovlev/1990-11-Yakovlev-Kennan.pdf.

production and tax revenues were dropping swiftly. These effects were not, as Miller proposes, the result of the failure of Gorbachev's reforms–but rather the consequence of their implementation."[6]

Miller's book takes Gorbachev's side against the authoritarian 'right' critics, who believed that the Soviet leader squandered chances for reforms by launching political liberalization. Miller asserts that this liberalization was the only way for Gorbachev to shake up Soviet politics. In this defense of Gorbachev, Miller brings up the second major argument of his book: the impact of China's reforms. Gorbachev, he argues, closely followed and even tried to copy China's reforms. This argument gives the book a fresh and revisionist look. Miller's investigation of Soviet economic archives and the papers of Soviet academic institutes provide us with new materials that prove beyond doubt that many Soviet economists and political commentators did follow China's reforms with great interest and learned in them lessons for the Soviet Union. Miller's book is not the first attempt to compare Soviet and Chinese economic reforms.[7] He, however, is the first who turns the usual approach upside down.

The author's evidence and arguments are contradictory. His evidence tells us that already in 1989, and certainly by 1990 and early 1991, Soviet economists and observers in China told the political leadership almost in a chorus that the only way to tame the looming fiscal crisis and inflation was a regime of austerity. This regime required a strong state policy, with disciplining effect on local actors. (160-163). In effect, Miller writes, this was what happened in China after the Tiananmen crackdown. Yet something totally opposite was happening in the Soviet Union, and when the hardliners attempted to apply China's lessons in January-March, and then in August 1991, the result was a dismal failure. Why did an authoritarian solution to economic problems work in China but fail in the Soviet Union? Miller's argument veers back to his main thesis about entrenched interests: the coup leaders "failed to realize that, unlike in China, the Soviet army and its allies were not the solution to the country's economic problems, they were the cause. The military and its interest group allies were the main reason the USSR had an uncontrollable budget deficit." (170-171). But was it really so? There is, as I have sought to spell out, an alternative explanation: the main reason for the destruction of Soviet finances and the economy was Gorbachev's ideological and personal choices: his faith in a mixed economy and political liberalization. In his conclusions, Miller follows neoliberal economic logic espoused by Yegor Gaidar and Russian radical reformers. He argues that Gorbachev should have moved even more decisively and radically towards simultaneous greater economic *and* political liberalization. But then where does it leave the argument that Gorbachev wanted to emulate China's path? And if Gorbachev moved faster on the opposite path, would it be not a sure recipe for an even swifter, more radical collapse of the Soviet Union?

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[6] Isaac Scarborough, review of Chris Miller, "The Struggle to Save the Soviet Economy," *Reviews in History* (February 2017), https://doi.org/10.14296/RiH/2014/2066.

[7] Gilbert Rozman, ed., *Dismantling Communism: Common Causes and Regional Variations* (Washington, D.C. and Baltimore: Woodrow Wilson Center Press and Johns Hopkins University Press, 1992); Gilbert Rozman, *A Mirror for Socialism: Soviet Criticisms of China* (Princeton: Princeton University Press, 1985), and *The Chinese Debate about Soviet Socialism, 1978–1985* (Princeton: Princeton University Press, 1987); Christopher Marsh, *Unparalleled Reforms. China's Rise, Russia's Fall and the Interdependence of Transition* (Lanham: Rowman and Littlefield, 2005); Thomas P. Bernstein and Hua-Yu Li, eds., *China Learns from the Soviet Union, 1949-Present* (Lanham: Lexington Books, 2010).

In the discussion of China's impact, as in other parts of the book, the problem of Soviet sources surfaces again. One can read these sources very differently. It is incorrect, for instance, to assume that numerous analytical papers, produced by Soviet travellers to China and Moscow-based *institutchiks,* had automatic impact on Gorbachev's policies. Also, Gorbachev's rhetoric and his monologues in the Politburo must not be conflated with the actual policy-making.[8] Another historian who compares China's reforms and Gorbachev policies makes a credible argument that, in fact, Gorbachev felt jealous of Chinese reforms and staunchly refused to emulate them. When the Tiananmen massacre happened, the Soviet leader reaffirmed his determination not to follow Chinese path, and instead to adhere to the course of 'democratization,' political and economic decentralization.[9]

Miller's book leaves us with only a 'first draft' and very tantalizing approaches to the fundamental question for discussion: the destructive policies that Gorbachev adopted in 1987-1988, and later in 1989-1990, were not inevitable. Soviet social, political, and economic structures were more fungible and obstacles to reforms were less intractable than scholars, including Miller, assume. There were also powerful external forces and circumstances that require more attention: the growing pressures of a neoliberal capitalist economy, the implacable consequences of growing Soviet problems with balance of payment and foreign credits (largely caused by domestic collapse), and Gorbachev's decision to seek economic advice and financial assistance in the West, rather than to use authoritarian methods at home to achieve financial discipline and solvency. Understandably, these factors remain outside the scope of Miller's book. The complexity of the subject requires the efforts of many scholars, young and veteran, archival researchers and economists. Miller's book launched an important discussion, and he deserves full credit for this. This discussion, however, should continue, and should not mistake new questions that the book raises for final answers.

[8] For this and other points see Vladislav Zubok, "The Soviet Union and China in the 1980s: Reconciliation and Divorce," *Cold War History* 17:2 (2017): 121-141.

[9] Sergey Radchenko, *Unwanted Visionaries. The Soviet Failure in Asia at the End of the Cold War* (New York: Oxford University Press, 2014), 163, 177-179.

Author's Response by Chris Miller, Tufts University

To start, thanks to H-Diplo for commissioning this review, and the five reviewers for interesting and thoughtful comments. In this response, I would like to address three questions that were touched on by several of the reviewers. First, why did Soviet leader Mikhail Gorbachev fail to craft a political strategy that could have achieved his policy goals? Second, did a market reform program exist that would have had substantially better results than perestroika? Third, what factors explain why China was different?

On the first question, *The Struggle to Save the Soviet Economy* argues that debates about perestroika and about economic reform more generally were beset by devastating political conflicts that drove up the Soviet Union's budget deficit and sent the country toward rapid inflation. The book suggests that the final years of the USSR share an important similarity to the debt and inflation crises that beset many Latin American and other developing countries around the same time. Soviet politics shared important similarities, too: a recognition that high levels of inflation were economically damaging, coupled with an inability to agree about who should pay higher taxes or bear the brunt of spending cuts that could have closed the deficit and reduced inflation.

In the USSR during the 1980s, there were several groups that could conceivably have paid higher taxes, or born the cost of spending cuts that would have allowed the Soviet Union to close its budget deficit and reduce inflation. Household incomes could have been decreased. But perestroika was premised on providing better living standards, so Gorbachev judged that such a move would have eliminated his political support and led to his downfall. Alternatively, spending on the military industrial complex or other enterprises could have been reduced—but these groups dominated the Communist Party and played a dominant role in the policymaking process.

Why did Gorbachev not use authoritarian methods to push through a financial adjustment and close the budget deficit? Unlike other countries facing inflation crises, the military was a key source of economic problems in the Soviet Union. In President Augusto Pinochet's Chile, for example, it proved possible to use the military to impose spending cuts on household income. In Gorbachev's USSR, any authoritarian counterfactual must suggest that Gorbachev (or an alternative Soviet leader) could have used the military to impose cuts on military spending. This is difficult to imagine. Even the popular counterfactual "if only Andropov had lived, and used his bureaucratic skill to push through reforms slowly" confronts a similar dilemma: existing political powerbrokers were beneficiaries of the inefficiency in the Soviet economy.

Was there a way that Gorbachev could have split his political opponents, allowing him to pick off one at a time? In the 1990s, President Boris Yeltsin managed to reduce Russian military spending and impose savage cuts on farms even while implementing policies favorable to the energy sector. But Yeltsin succeeded in splitting these groups only after the dissolution of the Soviet Union, an inflationary surge, a failed coup, a devastating collapse in economic output, and, ultimately, an assault on parliament in 1993. Yeltsin faced a more flexible political system only because the country was convulsing amid a series of horrible crises. As late as early 1990, things did not seem nearly so catastrophic, and most Communist Party members believed that the alliance of the military, the industrial bosses, and the state and collective farms that underpinned the post-Khrushchev party apparatus would continue to survive. This prevented Gorbachev from mobilizing one industrial group against another. By the time party members began questioning the economic alliances and patronage networks that held the coalition together, it was already too late to avoid either devastating shortages or huge price hikes that eventually drove Gorbachev from power.

What of the second question: were there an alternative set of economic policies that might have worked better than perestroika? As several of the reviewers note, even if Gorbachev had a free hand, it is difficult to imagine the Soviet Union achieving East Asian-style double digit growth rates. The most optimistic outcome, in my view, would have looked something like Poland's post-Communist experience: a deep crisis, but less painful that what the Soviet Union suffered, and coupled with a quicker return to growth.

Yet this, too, is probably overly optimistic. Unlike Eastern Europe, the Soviet Union's economy was probably more wasteful, though precise measurements are difficult. It spent more on its military. It used market mechanisms less frequently. It provided less space for private property (Poland, for example, never collectivized its farms.) And the Soviet experiment with a planned economy began in the late 1920s. In Eastern Europe, state socialism began a generation later—so the cost of adjusting away from it were lower. More enlightened economic policies plus more political capital might have made Gorbachev's perestroika work better. But it was really the policies of Joseph Stalin, Nikita Khrushchev, and Leonid Brezhnev that doomed perestroika. For a generation, Soviet politics had transferred political power to groups that benefitted from waste and inefficiency. It proved impossible to unwind this system in an orderly manner.

Why was China different? Here the conclusions are counterintuitive. China's relative poverty made catch-up growth easier. More interesting, though, is the politics. The Soviet Union was stuck in a middle-income trap. Its industrial surge from the 1930s through 1960s created political institutions (the interest groups) that resisted policies needed for future growth. By contrast, Deng Xiaoping's China had few such powerful groups. There was no farm lobby, for example, and industries constituted a far smaller share of the economy, and so had fewer resources with which to mobilize against change. In addition, when Deng took power, China had just barely survived the Cultural Revolution, which violently shook the Chinese Communist Party and weakened patronage networks and interest groups that might have opposed Deng. A counterintuitive effect of Chairman Mao Zedong's most revolutionary moment was to pave the way for Deng to reintroduce capitalism.

Could the Soviet Union have undergone a similar political revolution that paved the way for economic change? In the 1930s, the purges created a similar situation. Rapid turnover in party leadership weakened patronage networks and prevented groups from solidifying. The chaos and devastation of World War II had a similar effect. By the 1960s, however, Brezhnev was promoting a different policy of the 'stability of the cadres,' which removed incentives for effective management and gave space for political networks to solidify. Lacking any mechanism for elite rotation, Soviet politics were set on track for stagnation. The political and economic landscape that Gorbachev inherited, in other words, makes it difficult to imagine a less chaotic end to the Soviet experiment.