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Economic and Political Reform in China and the Former Soviet Union

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The contrast between the two cases is well known: China's economic reforms were stunningly successful whereas those of Gorbachev failed. Moreover, his political reforms set in motion forces that he could not control, eventually bringing about the unintended end to communist rule and the dissolution of the Union of Soviet Socialist Republics.

Why this difference? Numerous variables are at issue. This paper focuses on the policies, strategies, and values of reformers and on opportunities to carry out economic reforms, which favored China but not the SU.

A common explanation for the difference is that the leaders in both countries decoupled economic from political reform. China, it is said, implemented wide ranging economic reforms but not political reforms. In contrast, Gorbachev pursued increasingly radical political reforms, which ultimately destroyed the Soviet political system.¹

Actually, both pursued economic reforms and both pursued political reforms. However, there is a vital distinction between two types of political reform, namely those undertaken within a framework of continued authoritarian rule and those that allow political liberalization (PL). This distinction defines the two cases.

PL entails the dilution of the rulers' power in that independent social and political forces are permitted or are able to organize, and media are freed up to advocate views that can challenge the foundations of the existing system. PL falls short of full electoral democracy. It creates an unstable situation, since it inevitably leads to demands for further democratizing changes. Hence, rulers who have agreed to political liberalization come under increasing public pressure to go further. They face a choice: they must either crack down and restore dictatorial control or yield to popular and elite pressures for full democracy.² In Eastern Europe and the Soviet Union, the rulers eventually yielded to rising popular and elite pressures and sanctioned the transition.

In contrast, authoritarian political reforms are undertaken by political elites determined to close off openings towards PL. They aim at rationalizing and improving the functioning of the political system. In the Chinese case, reformers sought to adapt it to the requirements of the gradually emerging market economy.

In both the processes economic and political reform were intertwined, but the type of political reforms differed sharply.

In the Soviet Union, economic reform initiatives were initially taken within the existing authoritarian political framework. But gradually Gorbachev and other reformist leaders concluded that the political system, including the party apparatus, the great economic bureaucracies, and the military-industrial complex, posed major obstacles to economic reform. They concluded that the system needed to be shaken up by opening it to popular political pressures, that is by engaging in a process of political liberalization.

The first section of this chapter examines China's authoritarian political reforms. The second looks at Soviet economic reforms in comparative perspective as well as at political liberalization. The third section highlights China's structural advantages, especially decentralization, that enabled China's economic reforms to begin at the periphery, especially in agriculture.

China's Authoritarian Political Reforms.

The reforms at first took a negative direction, aiming at doing away with major legacies of Mao Zedong's rule. Under Deng Xiaoping's leadership, China dismantled not only radical Maoism but also the Party's totalitarian rule generally. Chinese totalitarianism essentially consisted of intense pursuit of ideologically-guided transformations of society and the building of a "new man (woman)." This required unprecedented political penetration of society, as well as tight control over the economy and culture, together with recurrent state-initiated mobilization in the form of mass campaigns. Much of this was largely abandoned beginning in 1978, thereby signifying China's transition to authoritarian rule.³

The results included partial withdrawal of the Party-state from society, sharply reduced demands on individuals to subordinate their interests to the collective and the state, encouragement of individual initiative and rehabilitation of material incentives. A looser political atmosphere came into being. Calling for "emancipation of the mind" legitimated unorthodox experimentation and governance according to the principle that "practice is the sole criterion of truth."

Political reforms under Deng Xiaoping and his successors aimed not only at changing the political climate but over the years turned into a project of building a modern state. This project, which is ongoing, has had several dimensions:

1. the gradual replacement of the institutions of the planned economy by the market; the reduction but by no means elimination of state ownership together with rapid growth of private and collective enterprise; and the rise of regulatory institutions for the economy;⁴

2. the establishment of a legal system required for a market economy and especially for one in which foreigners were playing an extremely important part;

3. the restructuring of the incentive system so as to motivate Party and government officials to support the rise of profit-making enterprise;

4. the gradual emergence of a consultative political regime characterized by an enlarged scope of policy deliberation and debate, one in which official elites could participate and bargain over their interests.

At the same time, the leaders of the Chinese Communist Party (CCP) retained their monopoly of power as well as the basic institutions of Party dominance, such as the power to appoint key officials (*nomenklatura*), and the coercive apparatus. Despite the development of a legal system, the rulers did not become legally or constitutionally accountable and there is very little redress for legal abuses, especially in the realm of human rights. China acquired rule by law, not rule of law. The rulers retained the prerogative to decide on the scope of permissible debate. They had the power to choose whether to loosen (*fang*) or tighten its scope (*shou*).

The rulers also maintained a monopoly over Party history, including Mao Zedong's status, essential for the preservation of regime legitimacy. Similarly, they claimed a monopoly over definitions of what is "socialist," but they did so with great flexibility so that family-based farming, the market economy, and even private enterprise could over time be defined as "socialist," since they were contributing to the growth of the "productive forces." In these ways, the regime's prerogative to lay down the current authoritative political line was preserved, the goal being to "unify thinking" and curb tendencies towards the pluralization of the theoretical foundations of the political system.⁵

Most important, demands for political liberalization voiced from below or within the elite were curbed. In early 1979, Deng and his colleagues initially tolerated the first of a series of attempts to liberalize, namely the "Democracy Wall" movement, largely in order to mobilize public opinion against leftist opponents. But once demands were voiced for a "Fifth Modernization," i.e., democracy, the movement was quickly suppressed.⁶ The leadership saw a threat to its control in such open advocacy. Memories of unconstrained, violent popular participation in the Cultural Revolution were still fresh. Deng Xiaoping defined "bringing order out of chaos" of the Cultural Revolution (*boluan fanzheng*) as a key task. To Deng and others, the 1979 Democracy Wall Movement seemed to challenge the regime and to augur in a new period of chaos.

On occasion in the 1980s, Deng Xiaoping, concerned about stultifying bureaucracy and the unchecked power of "patriarchal" party secretaries, encouraged discussion of greater participation.⁷ This reflected uncertainty and debate about where to draw the line between participation compatible with continued authoritarian rule and participation that might undermine it. This tolerance encouraged Party intellectuals to advocate freeing up trade unions, interest groups, and the media. But tolerance proved to be short-lived. The proposals were rebuffed as manifestations of "bourgeois liberalization." In the case of trade unions, the rise of the independent Polish Solidarity Union alerted Chinese leaders to the risks involved.⁸ Hu Yaobang, the Party

General Secretary who was viewed as sympathetic to liberal advocacy, was purged in early 1987. Two years later, during the Tiananmen demonstrations, so was Zhao Ziyang, his successor.

The Tiananmen Democracy Movement in May 1989 showed the ease with which masses of students and adults could be mobilized by grievances over inflation and corruption, which had become increasingly serious. Demonstrations spread to dozens of cities. In the eyes of Deng and others, this created a direct threat to the regime and was met with lethal force.

This tragedy was a watershed development in two ways. First, during the demonstrations students had organized autonomous unions and so had some workers.

Their demands for recognition, however, were harshly rebuffed and repressed. As Andrew Nathan concludes:

Here was the Trojan horse that the regime could not accept. Had this demand been granted, the students would have achieved the legalization of the first completely independent political organization in PRC history.⁹

To this day the CCP has not changed its stance on this issue.

Second, using military force against the Democracy Movement showed how far the rulers were willing to go to maintain their power. This was in sharp contrast to the unwillingness of most Eastern European communist leaders to use force against democratic forces later in the fateful year of 1989, especially since Gorbachev refused to come to their rescue militarily. Two years later he again refused to use massive military force to keep the Soviet Union alive (see below), a fundamental difference between the two cases.

The determination of China's leaders to block PL was powerfully reinforced by the shocking collapse of communism in the Soviet Union. After 1991, China's leaders sought to understand the sources of what they regarded as a great catastrophe. A multi-year program of academic research was launched that resulted in many publications. This research continues to this day. Some analysts saw systemic factors as a major explanation for the collapse while most put the blame on Gorbachev's voluntarism. The upshot of these studies is that China must strenuously resist seeking solutions to its problems by taking the route of liberalization.¹⁰

The refusal to tolerate the formation of autonomous political groups is a major explanation for the regime's capacity to maintain stability. This becomes apparent when economic development and reforms in the last 15 or so years are considered. During this time, a number of social groups suffered great hardships. First, around 50 million state workers lost their jobs as state-owned enterprises (SOEs) were consolidated, streamlined, privatized or shut down. For state workers, being laid off was an acute form of downward mobility, since they had been the "leading class" and had had lifetime job security and other benefits. Yet, basic welfare arrangements for them were only beginning to be made. Second, millions of urbanites displaced during

the immense reconstruction of China's cities harbored grievances over the conditions of their relocation. Third, exorbitant taxes and fees extracted from millions of peasants caused severe anger. In recent years, abusive land requisitioning by local governments and developers gave rise to another major grievance as large numbers of peasants lost their land. And fourth, millions of migrants to the coastal cities were harshly exploited under the country's labor-repressive system.¹¹

These grievances caused numerous protests that to this day run into the tens of thousands per year, with participants ranging from a few hundreds to ten thousand or even more. But what was striking about the protests is their short duration. They were localized, they did not cross administrative boundaries, and they lacked lasting and sustained leadership and coordination. Most protests did not extend to cooperation between social groups. This was a response to the CCP's own successful revolutionary experience of cross-group and cross-class mobilization.¹² From the early Mao era on, the CCP deliberately segmented and isolated groups from one another, so that intellectuals, for instance, are harshly repressed if they attempt to mobilize peasants or workers.

Political liberalization would have enabled protest leaders to organize independent unions and large-scale social movements, which might have framed grievances in ways that could unite different groups, thereby creating counter veiling power. Such mobilization might have forced the regime to slow down, moderate, modify, or even abandon some reform and development programs.

This did not happen and therefore protests have not amounted to social movements as defined in the literature.¹³ The regime has learned to manage protests, using a variety of tactics, from cooptation, to tolerance, to repression. One approach has been to demonstrate responsiveness, as shown by the gradual building of urban safety nets and in the case of peasants, phasing out of onerous taxes and fees from 2003 on.¹⁴

The Reform Problem in the Soviet Union

When Gorbachev came to power in April 1985, Brezhnev's long rule came to be called "the era of stagnation" (*zastoi*). This referred to Brezhnev's "stability of cadres," signifying low rates of turnover and slow infusion of new talent; but also, to declining rates of growth; an enormous lag in the adoption of information technology; corruption, stagnant living standards, and social malaise reflected in rising alcohol consumption. As wags had it: "the highest stage of history is alcoholism, not communism." The SU was sliding into a growing systemic crisis but one that was not acute.

There was considerable awareness within in the top elite that change was necessary, reflected in the election of the middle-aged, vigorous Mikhail Gorbachev as Party General Secretary in 1985. Yegor Ligachev, a conservative PB member who initially cooperated closely with Gorbachev

agreed that “the administrative-command system had carried planning to the point of absurdity.”¹⁵ Excessively centralized control over the economy had clogged bureaucratic channels, stifled initiative, and fostered resistance to innovation.

Both the Chinese and the Soviet economies were in need of reform. But while the Soviet economy was intact but running down, the Chinese needed first to repair the damage done by the extremism of the Cultural Revolution. Planning was in a severe state of disarray. Staff had been dispersed to the countryside. Productivity and efficiency had declined. Science and technology and higher education had suffered disastrous setbacks. The country was exhausted by endless political campaigns and by CR violence. Elites shared a sense of chagrin: China had lost 10 or 20 years to the pursuit of revolutionary purity while the “five tigers” of East Asia had forged ahead.

This situation made institutions more malleable and receptive to change than in the Soviet Union.¹⁶ Radical Maoist economics was discredited, but a return to the Soviet model of centralized planning was also not feasible, as shown by the quick collapse of a huge investment program in heavy industry initiated by Mao’s immediate successor, Hua Guofeng. The prime requisite of a new policy was whether it led to development, i.e., growth. Within this constraint, there was groping for solutions.¹⁷ Beginning with agriculture, markets started to make inroads into the planned economy.

Gorbachev’s slogans—perestroika, restructuring, glasnost’, openness and transparency, democratization, greater participation ---embodied the intention to reinvigorate the state, society, and the economy. Economic reform goals emerged from 1986 on with policies to decentralize authority to the enterprises so as to reduce the dead weight of central bureaucracies, to shift from command to economic incentives, to allow limited market relations between enterprises, and to stimulate local initiative, especially technological innovation. A series of laws and regulations were adopted beginning in 1986 which expanded enterprise autonomy, allowed joint ventures, encouraged individual and group contract labor in farming, and allowed small private businesses under the cover name of “cooperatives”¹⁸

As is well known, the economic reforms failed to produce the intended results. They threw the economy into disarray, disrupting the established procedures of the planned economy while failing to institute viable, transitional substitutes. In sharp contrast, the dual-track approach of combining of plan and market, especially with regard to prices, allowed China to avoid “a Soviet-type collapse by disentangling itself gradually from the institutions of the planned economy.”¹⁹ Production dropped. By 1991 GDP was down by 17% and the economy was close to collapse. For the population, the economic reforms offered no improvements in the supply of food or consumer goods, in sharp contrast to China. Instead, scarcities multiplied. Rampant inflation sapped popular morale, and support for perestroika declined.

Explaining Economic Failure

Five interrelated variables come into play: 1. disunity among the top leaders; 2. bureaucratic obstruction of economic reforms; 3. poorly designed managed reforms; 4. the overwhelming problem of downsizing the military-industrial complex; and 5. the deleterious consequences of political liberalization, which Gorbachev had seen as the answer to obstruction.

First, when Gorbachev came to power, he lacked a majority in the PB and the CC. Despite retirements and new appointments and despite his power as CC First Secretary, he had to struggle and compromise to get his policies accepted. As the reforms radicalized, erstwhile supporters such as Yegor Ligachev became critics and opponents. While Ligachev didn't attempt to oust the First Secretary, he reports "fierce fighting" in the PB and at CC plenums over economic policy, as well as over threats to party unity and the increasingly assertive national minorities.²⁰ Nikolai Ryzhkov, the Chairman of the Council of Ministers, at one point responded to a query of what functions the ministries would relinquish, by snapping, "none at all."²¹ For his part, Gorbachev complains in his Memoirs about the "many long and heated arguments over every detail...."²²

Disagreement over fundamentals complicated reaching consensus. Ligachev, for instance, was prepared to reduce planning to "rational limits" but not to introduce markets on a wide scale, since this meant "letting the money changers and Pharisees back into the temple." Private ownership, i.e., capitalism, "entails the impoverishment of the majority and the enrichment of the few."²³ On the other side of the political spectrum, Alexandre Yakovlev, whom Gorbachev elevated to the PB, strongly favored both markets and radical political liberalization.²⁴

In China in the 1980s, there was heated conflict between conservatives and reformers.²⁵ But the ideological divide was not as great as in Russia. Maoist hardliners had been silenced in the late 1970s. Powerful conservatives such as Chen Yun did not oppose market reform in principle, maintaining that "...the market should have a role in the socialist planned economy."²⁶ The policy question was where the balance between plan and market should be struck. In 1992, Deng Xiaoping made use of his immense authority to tilt policy decisively in the direction of the market, signified by the concept of the "socialist market economy." One of Gorbachev's handicaps, it is worth noting, is that he lacked Deng's authority.

Second, with regard to obstruction, it is not surprising that lower-level officials, when faced with division in the PB, would follow those cues most congenial to their mindsets, which were powerfully shaped by long-lasting Soviet political and economic institutions, including the still-largely Stalinist planned economy. Gorbachev's Memoirs are replete with complaints about obstruction: "Needless to say, no one was so bold as to speak out openly against reform," but verbal assent was often followed by evasion in practice. Policies which officials had promised to implement remained on paper, were

circumvented or were only partially put into practice. When initial steps were taken towards decentralization, “The ministries were making their last stand, refusing to share their prerogatives with production associations and enterprises.”²⁷ A CC Plenum in June 1987 decreed a large increase in the authority of managers, but only three months later, enterprises complained “that central agencies were willfully ignoring the plenum’s decisions....The further [reform] progressed, the more it became mired in the mud of endless stipulations, dull talk, and ‘instinctive’ and intentional sabotage.”²⁸ In a retrospective interview, Gorbachev dolefully remarked that

In fact, we actually started the Chinese way. We thought that the system could be improved.... But the system obstructed everything: nothing worked...All innovations, all measures to encourage the development of initiative among [work] collectives, to make them compete, to commercialize the entire economy—all this was vehemently rejected by the nomenklatura....²⁹

Third, with regard to the design and implementation of the reforms, Gorbachev’s Memoirs repeatedly acknowledged that there was quite a bit of muddle. In 1986, for instance, contradictory directives were issued. One called for a crack down on “unearned income” from individual labor outside the state sector, while another, adopted a few months later, called for allowing just that.³⁰ In 1987, poor economic results were aggravated “by the confusion caused by the haphazard transition of industry to a system of cost accounting, self-financing and self-management.”³¹ This suggests that reforms were introduced too quickly without adequate preparation. But at the same time, Gorbachev criticized himself for having moved too slowly: “We allowed the time-frame for structural transformation to be dragged out over three or four years and thus missed the most economic and politically favorable time for them in 1987-88.”³² Ligachev charges that a comprehensive marketizing program started in early 1988 led to “catastrophic disruption of long established economic relationships,” blaming Gorbachev’s reactive leadership style.³³ In sum, as one caustic critic put it: “The first three years of radical economic reform from 1987 to 1990 seemed to show that far from being one of the most overmanaged economies the Soviet Union was moving to become one of the most mismanaged.”³⁴

Fourth. Gorbachev saw in political liberalization the potential for mobilizing popular pressure on the recalcitrant bureaucracy. Political reform was put on the CCs agenda in January 1987, since “economic progress and social renewal were ultimately dependent on political democratization.”³⁵

What Gorbachev didn’t count on was that as glasnost’ and democratization gained momentum, the rise of public opinion, an increasingly aggressive and critical media, and group and individual advocacy, including by economists who suddenly embraced market fundamentalism, would have an impact on the policy process. A benign example was that the economic reforms instituted in early 1988 had to be

supplemented by environmental measures because of “mass protests.”³⁶ However, on a core issue, price reform, policy makers were trapped by the intensity of popular and media criticism, since wage earners and pensioners feared that price reform would make inflation even worse. Jerry Hough argues that “No one among the reformers seemed to understand that democratization would redouble the political explosiveness of price reform.”³⁷ It is worth noting that in 1988, the prospect of price reform was also a hot issue in China, which so alarmed the public that it was postponed.

Fifth, the military-industrial complex greatly complicated the task of reforming the civilian economy. The Soviet Union imposed a crushing military burden on its economy. Gorbachev reports that the military actually accounted for 40% of the budget, not 16% “as we had been told” before he ascended to the top. 20% of GNP, not 6% was went to the military. 25 billion rubles were spent on science, of which 20 billion went to the military.³⁸ Gorbachev was not alone in believing that the country’s economic problems could not be solved without greatly reducing military burdens and shifting resources to the civilian sector.

Achieving this, however, was an immense task. It was linked to the fundamental reorientation of Soviet foreign policy that Gorbachev and his chief foreign policy assistant, Shevardnadze, sought to bring about. Their “New Thinking” aimed at nothing less than ending the Cold War. This required abandonment of the Leninist doctrine of inevitable class conflict between capitalism and socialism; the rejection of the thesis that NATO was an aggressive alliance; as well as an end to the SU’s costly international commitments; plus persistent pursuit of arms control and detente with the West, inter alia, in the hope for western aid and technology. Gorbachev’s historic achievement in ending the Cold War also required that the military change its deeply-embedded offensive, war-winning doctrine and adopt one of defensive sufficiency, sharply cut its size, and withdraw not only from Afghanistan, on which consensus was easily achieved, but later, from Eastern Europe, which would deprive the Soviet Union of the fruits of its great WWII victory.

Protracted conflict between reformers and the military ensued, since its privileged status and deeply embedded doctrines were at stake. Opposition also came from related industrial interests, Russian nationalists, and ideologues. Ligachev, for instance, opposed abandoning the principle that international relations were shaped by class conflict. William Odom quotes one of Gorbachev’s assistants as saying retrospectively that “Of all the tasks that fell to the duty of perestroika, the most complicated was demilitarization of the country.” Odom concurs, adding: “Indeed it was, because it required the destruction of the Soviet system.”³⁹

It is readily apparent that Deng Xiaoping did not face this kind of a military problem. Deng’s deep roots in the PLA endowed him with immense authority within the military which Gorbachev simply lacked. Deng was able to persuade the PLA leadership to accept declining budgets in relation to GDP in the 1980s on the grounds that only by giving full priority to

economic development could the country provide the wherewithal for future military modernization. Moreover, the damage in professionalism suffered by the PLA during the Cultural Revolution together with its overall backwardness made it an unsuitable vehicle for immediate technical upgrading. Thus, military budgets only started to increase in the 1990s at a time when China's national wealth was rapidly growing.⁴⁰ Moreover, normalization of relations with the United States in late 1978 plus the first signs of a possible Sino-Soviet rapprochement, which came in 1982, enabled Deng to argue that there was a window of opportunity for peaceful construction. Chinese reformers thus didn't have to worry about the military as an obstacle to either economic reform or to accelerated civilian economic development.

Political Liberalization and the Soviet Collapse

Glasnost' (openness and transparency) found a responsive audience. By the 1980s, Soviet society contained a large, well-educated, urbanized middle class, a large intelligentsia of writers and academics, many of them dissatisfied with the country's situation and eager to be heard. With the encouragement of top officials such as Yakovlev, glasnost' quickly escalated from the performance criticisms in principle acceptable to Communist regimes, into a searching examination of what was wrong not just with the economy but with the political system. Censorship gradually weakened and collapsed more or less by the end of 1989.

Glasnost' naturally entailed revival of de-Stalinization, abandoned after Khrushchev's downfall in 1964. But now it included exposure of Stalin's crimes not just against the party elite but against the peoples of the Soviet Union, as during collectivization and the ensuing famine. It included public discussion of Stalin's annexation of the three Baltic states in 1940, which fueled separatist movements. Indicting Stalin led to questions about Lenin's responsibility in initiating terror and setting a precedent for Stalin. This was an extremely sensitive matter, since it called into question Lenin's status as the ultimate source of Communist legitimacy. Attacking Lenin went very much beyond Gorbachev's own preferences, since he sought to clothe perestroika in the mantle of Lenin's allegedly moderate and democratic legacy of the era of the New Economic Policy (NEP). Against much resistance, however, the very foundation of Soviet legitimacy came under challenge.⁴¹

Glasnost' in politics saw the emergence of a political spectrum ranging from those who defended the old order to cautious, middle of the road reformers and to radicals who pressed for immediate, full scale democracy. Reactionaries and conservatives were able to use the new freedom to castigate publicly those whom they accused of destroying the country's political foundations. A major instance was a letter in March 1988 to the newspaper Sovetskaia Rossiya by a Leningrad teacher, Nina Andreeva,

allegedly instigated by Ligachev, which bitterly complained that Stalin's heroic achievements were being ground into the dust and that the country's founding principles were being abandoned. Conversely, conservatives such as Ligachev complained that the charge of subversion, of being an "enemy of perestroika," was used by radical media.⁴² For his part, Gorbachev underestimated the polarizing effects of unleashing political and social forces.

Weakening the Party

Gorbachev had originally assumed that perestroika would be carried out by the Party. Now the Party itself became an object of perestroika. Gorbachev proposed in 1987 that Party secretaries should be subject to competitive elections by secret ballot, thereby striking a blow against the self-perpetuating nomenklatura. Gorbachev believed that democratization of society could be achieved within a reformed, democratized one party-framework.⁴³

In the second half of 1988, Gorbachev pushed through a major shakeup and restructuring of the Party apparatus by dividing the powerful Secretariat into party commissions. This meant that the central Party apparatus was no longer able to supervise the party committees distributed throughout the country, including those of the 15 union-republics had its own government structures, and the constitutional right to secede, the latter being a purely theoretical right as long as the control system was intact. The CPSU apparatus and its nomenklatura were thus the only USSR-wide political organization able to integrate the union republics and keep them under Moscow's unifying political control. In Stephen Kotkin's words, "Gorbachev *deliberately* (author's italics) broke the might of the apparatus.... He failed to grasp that by undermining the Party Secretariat and enhancing the state (the Supreme Soviets of the Union and of the republics he was exchanging a unitary structure for a federalized one."⁴⁴ The end result was that Communist leaders in the union republics reinvented themselves as nationalists and became champions of independence. This is a major example of Gorbachev's undermining an institution but without creating a substitute.⁴⁵

In order to mobilize public support for perestroika, a new election law adopted in 1988 permitted contested elections and secret ballots for a proportion of seats in a new All-Union Congress of Soviets. The elections, held in March 1989, were only partially free, in fact were the freest since those to the Constituent Assembly in late 1917. They were a watershed in the democratization of the country. In major contested constituencies in Moscow and Leningrad, Communist officials were defeated, striking an enormous blow to the self-image of the CPSU and to Gorbachev's hopes that a democratized Communist Party would be accepted by the country.⁴⁶

During the first session of the Congress of Soviets convened in late spring 1989, full TV coverage of open and free debate astonished the Soviet public, as those who had won in competitive constituencies spoke out against

the terrible ills of the system, extending public awareness to the remote corners of the country. The reality that Soviet socialism was not superior to western capitalism provoked shock and anger.⁴⁷ Gorbachev by then sought to arrest the pressures for radical democratization now tilted in a more conservative direction, but this only earned him their distrust and that of liberals and radicals, damaging his authority.

The complex developments of the years 1990 and 1991 that culminated in the dissolution of the USSR on December 25, 1991, cannot be treated in detail here. But three points need to be noted. First, the Communist Party's hold on power further weakened. In early 1990, its "leading role" was officially annulled and in the fall a multiparty system became legitimate.

Second, separatist nationalist movements gathered in strength, as more and more republics issued declarations of sovereignty and independence. This happened not just on the periphery, as in the Baltic states, but in Russia itself, where Boris Yeltsin, Gorbachev's main adversary, successfully pushed for independence of what is now known as the Russian Federation.

Third, Gorbachev refused to mobilize the might of the Soviet army and the troops of the KGB and use them to crush separatism and maintain the Union.⁴⁸ Force was used on a few occasions but only on a minor scale, and Gorbachev's responsibility for these incidents is unclear.⁴⁹ Mikhail Gorbachev's unwillingness to use force on a large scale was rooted in his own belief in the possibilities of a humane, democratic socialism but also in the realistic calculation that massive military force would jeopardize his goals of ending the Cold War, pursuing detente, and obtaining aid from the West.

China's Economic Reforms in Soviet Perspective

Two aspects of China's economic reforms stand out as highly distinctive in terms of Soviet reforms, namely those in agriculture and in the foreign sector. China's economy, as noted at the outset, was decentralized, allowing major changes to start at the periphery without at first touching the core industrial economy.

Agricultural Reforms and Rural Industry

China's reforms scored their first great success in the agricultural sector with the replacement of collective farming by the household responsibility system (HRS). The urgency of action on rural front became apparent in 1978, when it became known that around a 150 million peasants lacked adequate food and clothing, the consequence of misguided policies.⁵⁰ New policies sought to restore incentives within the collective system, but in extremely impoverished villages, household contracting was successfully revived. It had contributed to the recovery from the Great Leap Forward only to be condemned as capitalist by Mao Zedong in 1962. Initially, central leaders

limited its adoption to poor places, but as it proved successful in raising output, they gradually approved expansion to more and more of rural China, until it became obligatory. Crucial “socialist” elements were kept, insuring support from conservatives, namely collective ownership of land and continued compulsory state procurements.⁵¹ The return to family farming, together with the right to market surpluses, transformed the urban food supply. Peasant incomes, having stagnated for 20 years, doubled by 1984. The pay-off for the population constituted a major source of public support for reform.

The dismantling of the communes was based on the reality that agriculture had only begun to be modernized with the introduction of chemical fertilizer, but still relied mainly on draft animal power usable by households. This facilitated the division of village means of production among families. China had also preserved much of its pre-communist rural marketing structure.⁵² Thus, China enjoyed the advantages of backwardness.

Family farming reawakened the culturally ingrained entrepreneurial talents of the Chinese family. This was a major source of the rise of township and village industries (TVEs), which Deng Xiaoping in 1987 likened to an “army coming out of nowhere” (*yijun tuqi*).⁵³ They thrived where access to markets, transportation, and investment were available, mainly on the Eastern seaboard but less so in the interior. The TVEs grew to the point at which their output contributed a major proportion of GDP. As collective industries, TVEs could produce more cheaply because they did not have to provide state sector type “unit” (*danwei*) benefits and services. But unlike state-owned industries, which were bailed out by the government when they lost money, they had to compete in order to survive. The rise of the TVEs also served to spur state industries to greater efficiency in order to be able to compete. TVEs were outside the state plan, and hence could respond much more quickly to changing market demand. TVEs met enormous unmet needs of urban and rural consumers for light industrial products,⁵⁴ and they exemplified the Chinese pattern of “growing out of the plan.”⁵⁵

The contrast with the Soviet case is striking in that neither small-scale farming nor rural industry developed. With regard to the latter, there was little awareness of the desirability of developing flexible, innovative, small-scale industry and the centralized Soviet economy probably wouldn’t have been able to accommodate it.⁵⁶ The structure of agriculture in the SU differed in that it was far more mechanized and consisted of huge units with lumpy inputs, which made a return to family farming more difficult.

Still, new laws allowed collective farmers to work as individuals or as groups, to lease land from collectives, sign contracts, and be responsible for final output, part of which they could sell at market prices. These approaches were similar to China’s family responsibility system and drew on long-standing, often successful experiments with the “link system” (*zveno*).⁵⁷

Nothing much came of these measures. Managers of collective and state farms generally were unwilling to allow good quality land to be farmed separately, while the district party committees (*raikom*) opposed the reforms

because they undercut their power.⁵⁸ Even had Soviet reformers pursued rural reforms more aggressively and imaginatively in order to overcome bureaucratic and structural obstacles, they would have run up against a peasantry which since collectivization had had all initiative beaten out of it by the powerful bureaucracy foisted on the countryside.⁵⁹ In addition, one of Brezhnev's positive contributions was to improve peasants' lives by paying regular wages and pensions. These steps made it less likely that collective and state farm peasants would abandon the relative security of these farms, as indeed was the case after the Soviet collapse in the 1990s.⁶⁰ Moreover, memories of family farming, which ended in the early 1930s, must have been vague and distant half a century later, whereas in China, memories were fresher, since collectivization occurred only in the mid-1950s and family farming was restored briefly after the GLF.

It is worth adding that Gorbachev and other reformers showed some interest in Communist experiences with agricultural decentralization and incentives, such as those in China and in Hungary, but they were not systematically pursued. Given the obstacles, serious efforts to emulate others would probably have failed.

Remotivating Officialdom

A major source of the success of the TVEs was the enlisting of Party secretaries and other local officials to engage in profit-making businesses. They learned how to become entrepreneurs because it was attractive both to them personally and to the administrative entities over which they presided. Thus, a pattern emerged in which Party secretaries of counties, townships and villages took the lead in developing their bailiwicks.

A new incentive system for these officials came in the form of fiscal decentralization in the 1980s, which included a tax-sharing system, in which local authorities could keep a proportion of tax revenues after turning over a negotiated, contractually specified amount to higher levels, and which, together with profit retention, could be used for reinvestment. In addition, the bureaucratic cadre evaluation system made a record of growth and development a primary criterion for bonuses, promotion, and favorable transfers, thereby wedding personal interests to the national interest in development.⁶¹ Because cadre-entrepreneurs were under pressure to perform, the inevitable opportunities for corruption did not prevent rapid growth.⁶² Soviet reformers themselves, it is important to note, failed to think seriously about the problems that marketizing reforms entailed, e.g., how to remotivate "the industrial managers whom [Gorbachev] hoped to turn into market oriented economic actors."⁶³

In China, wealth was accumulated by creating new enterprises and by market competition, not simply by arbitrage and the looting of state assets as happened in Russia's state-owned industry in the early 1990s.

Opening to the Outside World

The remarkable development of China's integration into the world economy and China's emergence as one of the biggest recipients of foreign investment had no real Soviet counterpart. In 1979 China started to take advantage of the favorable location of provinces such as Guangdong and Fujian and their close relations to overseas Chinese to attract outside investment and expertise. Hong Kong played a particularly important role in supplying not just the bulk of foreign investment in China in the 1980s but also essential expertise in the manufacture and marketing of products that could be sold abroad. Starting with Special Economic Zones in which foreign investors enjoyed tax breaks and other advantages, China's coastal development strategy later came to include the entire coast and ultimately inland cities and provinces as well.⁶⁴ Chinese officials began thinking about joining GATT/WTO as early as the 1970s, finally achieving membership 2001 after years of prolonged negotiations.⁶⁵

The Soviets too took some steps to broaden their international economies ties. A Soviet joint-venture law was passed, which initially limited foreign partners to 49% of ownership, but was later revised to allow majority control by foreigners. The Soviet partner would supply labor, infrastructure, and markets; the foreign partner, technology and entrepreneurial expertise. Importantly, domestic economic units were also allowed to engage directly in foreign trade, bypassing the Ministry of Foreign Trade in the hope of redressing the lack of contact between suppliers and end users. However, enterprise managers often didn't know how to take advantage of this new flexibility and only a few joint ventures materialized.⁶⁶

Concluding Observations

The comparison has not as yet taken into account of the enormous time differential between the two cases. Gorbachev had seven years before the SU dissolved; China is now in its 31st year of reform. A full comparative analysis would have to be extended to the Russian post-Communist eras of Yeltsin and Putin. Taking the time difference as it is, however, does shed light on the two reform strategies. Samuel Huntington long ago distinguished between a gradual, "Fabian" reform strategy and one that tried to accomplish everything all at once, or a "Blitzkrieg" strategy.⁶⁷ China pursued the former and the SU the latter. What the Soviets should have done can of course be debated. Given the greater complexity of the much more advanced Soviet economy, it is plausible to argue that the Soviets should have approached their task in a more gradual, measured way. On the other hand, because the Soviet economy was more interdependent than the Chinese one, the Soviets may have had little choice except to pursue comprehensive reform. This was Gorbachev's

opinion when he attributed the shortcomings of the 1986 phase of reform to incrementalism (see above).

Unquestionably, Soviet reformers suffered from agenda overload. Gorbachev sought to achieve sweeping changes simultaneously in domestic economic policy, in politics, and in foreign and military policy. These heavy burdens reduced the amount of attention that could be given to each. Archie Brown notes, for instance, that during a critical period, June 1987 to the summer 1989, Gorbachev disengaged from involvement with economic reform because of pressing foreign policy and political reform concerns.⁶⁸ In sum, Gorbachev tried to do too much too soon. He and his colleagues greatly underestimated the difficulties of achieving major changes in the political, international and the economic spheres in a short period of time.⁶⁹

In contrast, China's gradualist approach of "growing out of the plan" rather than seeking to scrap it, combined continuity of overall goals ---rapid economic growth as the main priority, reform and opening up to the outside world---with the willingness to experiment locally. When the experiments had shown themselves to be successful, they could be extended more widely and ultimately to the nation as a whole. China also approached reform sequentially rather than gradually and comprehensively. Agricultural reform cushioned urban reform, taken up from 1984 on, while the rise of private enterprise from the 1980s on cushioned the shock of large-scale state worker unemployment after 1997, at least to some degree.

Sequencing, however, also extended to the deferral of attention to two deleterious side effects of economic reform and rapid growth. Inequality was one. Deng's formula that "some can get rich before others" legitimated inequality, but over the years it grew to such proportions that it became a major, perceived threat to the country's stability, reflected in remedial measures adopted in recent years, especially to equalize rural and urban incomes.⁷⁰

Similarly, for the sake of growth above all, China postponed paying even remotely adequate attention to the environmental consequences of breakneck development. Environmental degradation eventually became much too serious to be ignored, but even if the colossal problems in this area are aggressively addressed, the future of the environment will continue to be a question mark in assessing China's prospects.⁷¹

The same point about deferring coming to grips with important issues can of course be made about political liberalization. As argued in this chapter, for a long time, refusal to allow PL served China's developmental and reform goals. The question is how long this refusal can be sustained. China's rapid development has given rise to an increasingly articulate and informed public opinion, which is acquiring new voices as in the proliferation of Internet blogs. Keeping these under control requires the authorities to play an endless cat-and-mouse game with the bloggers. New professional groups, such as lawyers, have appeared, as has a new middle and upper classe of private business people. Contrary to the theory that a middle class demands

democracy, in China, it has been politically quiescent, preferring to prosper within the framework provided by the regime.⁷² This is one factor that has enabled the regime to hold the line against political liberalization. But pressures for greater voice and for genuine autonomous participation are rising. Whether China's leaders can continue to hold the line indefinitely is an open and widely debated question.

Endnotes

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- ¹ Susan L. Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993), pp.4,5,11-12.
- ² See Adam Przeworski, *Democracy and the Market*, (NY: Cambridge UP, 1991) and Juan Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation* (Baltimore,MD: Johns Hopkins University Press, 1996), chpts 2 and 18.
- ³ Cf Juan J. Linz, *Totalitarian and Authoritarian Regimes* (Boulder,CO: Lynne Rienner, 2000).
- ⁴ For a comprehensive analysis of China's state building project, see Dali L. Yang, *Remaking the Chinese Leviathan: Market Transition and the Politics of Governance in China* (Stanford: Stanford University Press, 2004).
- ⁵ For an insightful analysis of the importance of authoritative ideological markers for the functioning of the system, see Alan R. Kluver, *Legitimizing the Chinese Economic Reforms: A Rhetoric of Myth and Orthodoxy* (Albany, NY: State University of New York, 1996)
- ⁶ The four legitimate modernizations pertained to agriculture, industry, science and technology, and national defense.
- ⁷ *Deng Xiaoping Wenxuan, 1975-1982* (Selected Works) (Beijing: Renmin Chubanshe),pp 280-302.
- ⁸ See Liao Gailong, "Historical Experience and our Road of Development."Oct.25, 1980, Part III, *Issues and Studies*, Dec.1981, pp.90-92). Also see "Su Shaozhi Discusses Political Structural Reform", *Dushu* no.9, September 10, 1986, in *Joint Publications Research Service*, no.20, April 8, 1987, pp.25-30
- ⁹ Andrew Nathan, *China's Crisis: Dilemma's of Reform and Prospects for Democracy* (NY: Columbia University Press,1990), p.135
- ¹⁰ See Guan Guihai, "The Influence of the Collapse of the Soviet Union on Chinese Political Choices," in T.P.Bernstein and Hua-yu Li, eds., *China Learns from the Soviet Union, 1949-Present*, forthcoming. See also David Shambaugh, *China's Communist Party: Atrophy and Adaptation* (Washington DC: Wilson Center Press, 2008)
- ¹¹ A labor-repressive system, as a well-known Chinese economist once told me, is essential for China's development. See Dorothy J.Solinger, *Contesting Citizenship in Urban China: Peasant Migrants, the State and the Logic of the Market* (Berkeley: U.Cal Press,1999)
- ¹² See T. P.Bernstein and Xiaobo Lu, *Taxation without Representation in Contemporary Rural China* (New York: Cambridge University Press, 2003), chapter 5 for analysis of rural protest.
- ¹³ Sidney Tarrow, *Power in Movement: Social Movements, Collective Action and Politics* (New York: Cambridge UP, 1994).
- ¹⁴ Cf Elizabeth J.Perry, "Permanent Rebellion? Continuities and Discontinuities in Chinese Protest," in Kevin J.O'Brien,ed.,*Popular Protest in China* (Cambridge: Harvard University Press,2008, pp.205-216.
- ¹⁵ *Inside Gorbachev's Kremlin: The Memoirs of Yegor Ligachev* (New York, Pantheon Books, 1993,p.316
- ¹⁶ Shirk, *Political Logic*, p.13
- ¹⁷ The term often used was "crossing a stream stepping from stone to stone, mozhe shitou guohe
- ¹⁸ See chapters 4 and 11 in Jerry F.Hough, *Democratization and Revolution in the USSR, 1985-1991* (Washington: Brookings, 1997), and Archie Brown, *The Gorbachev Factor*, chapter 5. (New York: Oxford University Press, 1996).
- ¹⁹ Barry Naughton, *The Chinese Economy: Transition and Growth* (Cambridge: MIT Press, 2007), p.91

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- ²⁰*Inside Gorbachev's Kremlin*, p.130.
- ²¹ Mikhail Gorbachev, *Memoirs*, (New York: Doubleday, 1995) p.230.
- ²² Gorbachev, *Memoirs*, p.223
- ²³ *Inside Gorbachev's Kremlin*, pp.318 and 321.
- ²⁴ See Archie Brown, *The Gorbachev Factor* (New York: Oxford University Press, 1996), chapter 2, for analysis of Gorbachev's intellectual background and chapter 4 for discussion of Yakovlev.
- ²⁵ For the major accounts, see Joseph Fewsmith, *Dilemmas of Reform in China: Political Conflict and Economic Debate* (Armonk, NY: M.E. Sharpe, 1994), and Richard Baum, *Burying Mao: Chinese Politics in the Age of Deng Xiaoping* (Princeton, NJ: Princeton University Press, 1994)
- ²⁶ Barry Naughton, *Growing out of the Plan* (Cambridge University Press, 1996), pp. 109-111. Another major source of conflict was the problem of overheating and inflation when the economy was allowed to grow too fast.
- ²⁷ Gorbachev, *Memoirs*, pp.226-227.
- ²⁸ Gorbachev, *Memoirs*, p.234
- ²⁹ *Los Angeles Times*, August 19, 2001.
- ³⁰ Gorbachev, *Memoirs*, p.227.
- ³¹ Gorbachev *Memoirs*, p.240.
- ³² Gorbachev, *Memoirs*, p.236.
- ³³ *Inside Gorbachev's Kremlin*, p.130.
- ³⁴ Richard Sakwa, *Gorbachev and his Reforms, 1985-1990*, (New York: Prentice Hall, 1991), p.281
- ³⁵ Gail W. Lapidus, "Gorbachev and the Reform of the Soviet System," *Daedalus*, vol. 115, no. Spring 1987, p. 11.
- ³⁶ Gorbachev, *Memoirs*, p.249
- ³⁷ Jerry Hough, *Democratization and Revolution*, p.128
- ³⁸ Gorbachev, *Memoirs*, p.215. He notes that even he, a Politburo member since 1980, had been kept in ignorance of the true numbers until 1985.
- ³⁹ See William E. Odom, *The Collapse of the Soviet Military* (New Haven: Yale University Press, 1998), p.117. See chapter 7 for details of the conflict.
- ⁴⁰ See Brian Lafferty, "Buildup: Chinese Defense Budgets in the Reform Era, 1978 to the Present," unpublished dissertation, Columbia University, 2009..
- ⁴¹ Alexandre Solzhenytsin's *Gulag Archipelago*, which laid the blame for Bolshevik terror squarely at Lenin's door, was published, at first only in excerpts. See Robert Horvath, *The Soviet Legacy of Dissent, Dissidents, Democratization and Radical Nationalism in Russia*, (London: Routledge-Courzon, 2005), 77.
- ⁴² *Inside Gorbachev's Kremlin*, p.106 and 284.
- ⁴³ Brown, *Gorbachev Factor*, p.167.
- ⁴⁴ Stephen Kotkin, *Amargeddon Averted: The Soviet Collapse, 1970-2000* (New York: Oxford University Press, 2003), p.77.
- ⁴⁵ For analysis of the structural vulnerabilities of the Soviet political system, see Cf Philip G. Roeder, *Red Sunset: The Failure of Soviet Politics* (Princeton, NJ: Princeton University Press 1993), and Valerie Bunce, *Subversive Institutions: The Design and the Destruction of Socialism and the State* (New York: Cambridge University Press, 1999).
- ⁴⁶ As Juan Linz and Alfred Stepan have suggested, Gorbachev missed a historic opportunity to save the Union. At this point he should have called for a Union-wide election of a constituent assembly, which might have stemmed secessionist movements. See chapter 18 of *Problems of Democratic Transition*.

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- ⁴⁷ Stephen Kotkin, "In Search of the Nomenklatura: Yesterday's USSR, Today's Russia," *East European Constitutional Review*, Fall 1997, p.106.
- ⁴⁸ This is a key theme in Stephen Kotkin, *Amageddon Averted*, p. 85.
- ⁴⁹ In the case of Tbilisi killings by the army, Gorbachev claims not to have been consulted. See *Memoirs*, p.342.
- ⁵⁰ One of these was Mao's call for universal growing of grain—a response to the famine of the Great Leap Forward, which robbed major non-grain growing areas of their comparative advantage.
- ⁵¹ cf. T. Bernstein, "Farmer Discontent and Regime Responses," in Merle Goldman and Roderick Macfarquhar, eds., *The Paradox of China's Reforms* (Cambridge: Harvard University Press, 1999). Pp.197-219.
- ⁵² cf. G. William Skinner, "Marketing and social structure in rural China," Part III, *Journal of Asian Studies*, vol. XXIV, no.3, May 1965.
- ⁵³ Deng Xiaoping, *Wenxuan*, vol.3, p.238. After utterly failing during the Great Leap Forward, rural industry had already grown significantly during the late Maoist period.
- ⁵⁴ There is a huge literature on TVEs. See, eg., Jean Oi, *Rural China Takes Off: Institutional Foundations of Economic Reform* (Berkeley: Berkeley UP, 1999)
- ⁵⁵ For the classic statement, see Naughton, *Growing out of the Plan*.
- ⁵⁶ See Hough, *Democratization*, p.103.
- ⁵⁷ Brown, *Gorbachev Factor*, p.140
- ⁵⁸ Brown, *Gorbachev Factor*, p.144 and Seweryn Bialer, "Gorbachev's Move," *Foreign Policy*, number 68, Fall 1987, p.75 for analysis of the impact of agricultural reforms on the party's rural power base.
- ⁵⁹ This was Gorbachev's view. See Brown, *Gorbachev Factor*, p.143. See also Alec Nove, "Peasants and Officials," in Jerzy F. Karcz, ed., *Soviet and East European Agriculture* (Berkeley: Berkeley UP, 1967), pp.
- ⁶⁰ Moreover, the age structure of the rural SU was not favorable for household farming. Much of the capable and skilled labor force in agriculture moved to the cities. Still, in the Baltics and in Georgia, opportunities for small-scale farming apparently existed. See also Stephen K. Wegren, *Agriculture and the State in Soviet and Post-Soviet Russia*, (Pittsburgh: University Pittsburgh Press, 1998)
- ⁶¹ For an analytical overview, see Alexei Shevchenko, "Bringing the party back in: the CCP and the trajectory of market transition in China" *Communist and Post-Communist Studies*, vol.37, no.3, 2004, pp.161-185.
- ⁶² Andrew Walder, "Local Governments as Industrial Firms: An Organization Analysis of China's Transitional Economy," *American Journal of Sociology*, vol.101, no.2, pp.263-301.
- ⁶³ Hough, *Democratization*, p.103.
- ⁶⁴ See David Zweig, *Internationalizing China: Domestic Interests and Global Linkages* (Ithaca: Cornell Press, 2002) .
- ⁶⁵ See Scott W. Harold, "Freeing Trade: Negotiating Domestic and International Obstacles on China's Long Road to the GATT/WTO, 1971-2001," unpublished dissertation, Columbia University, 2007.
- ⁶⁶ Brown, *Gorbachev Factor*, chapter 5.
- ⁶⁷ See his *Political Order in Changing Societies* (New Haven, Yale UP, 1968), chapter 7..
- ⁶⁸ Brown, *Gorbachev Factor*, p.148
- ⁶⁹ Jerry Hough, *Democratization*, p.117
- ⁷⁰ See Azizur Khan and Carl Riskin, *Inequality and Poverty in China in the Age of Globalization* (New York: Oxford University Press, 2001)

⁷¹ See Elizabeth C. Economy, *The River Runs Black: The Environmental Challenge to China's Future* (Ithaca: Cornell University Press, 2004)

⁷² Kellee S. Tsai, *Capitalism Without Democracy: The Private Sector in Contemporary China* (Ithaca: Cornell University Press, 2007)