

## PERESTROIKA: NEW THINKING FOR OUR COUNTRY AND THE WORLD

by Mikhail Gorbachev

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*Reviewed by William H. Peterson*

**V**igilance. National defense. Ideological power. Gamesmanship. These are the qualities that former President Richard Nixon—the man whom Nikita Khrushchev told “We will bury you”—counsels America to adopt in “Dealing with Gorbachev,” his article in *The New York Times Magazine* last March.

The counsel is timely. For with *glasnost*, the new Soviet style of light and openness, with the new Intermediate-Range Nuclear Forces (INF) Treaty and Strategic Arms Reduction Talks (START) with the Soviet Union, and now with *perestroika*, the new Soviet policy of restructuring its economy and the title of a revealing if not subtly propagandistic book by 57-year-old General Secretary Mikhail Gorbachev, America is seemingly dealt a new hand by a shrewd and dapper poker player.

But is it really a new hand? I recall the New Economic Policy (NEP) of Lenin who, in 1921, so as to gain Western support and stem scarcity and popular unrest, allowed small businesses to operate privately and independent farmers to sell some of their produce at a profit. Stalin squelched NEP and launched the first Soviet Five-Year Plan in 1928. The rest, as is said, is history.

Today, however, renewed scarcity and at least some popular unrest, especially amid Soviet ethnic nationalities such as the Armenians, continue to dog the Soviet planners. Too, the planners are undoubtedly impressed and concerned by the economic headway made by the Red Chinese who, under the leadership of Deng Xiaoping, began to adopt some Western market techniques in 1976 after the death of Mao. And so now *perestroika* is prescribed for the USSR.

Gorbachev confesses that under recent Soviet communism:

It became typical of many of our economic executives to think not of how to build up the national asset, but of how to put more material, labor and working time into an item to sell it at a higher price. Consequently, for all “gross output,” there was a shortage of goods. We spent, in fact we are still spending, far more on raw materials, energy and other resources per unit of output than other developed nations. Our country’s wealth in terms of natural and manpower resources has spoilt, one may even say, corrupted, us.

The confession goes on. Gorbachev complains that though the Soviet Union is the world’s biggest producer of steel, raw materials, fuel, and energy it still has serious shortfalls in them “due to wasteful or inefficient use.” Hard-currency earnings are depleted by having to import millions of tons of foreign grain when pre-Revolution Russia was the world’s greatest grain exporter.

Gorbachev tells us his rockets can find Halley’s comet and fly to Venus with amazing accuracy, yet “many Soviet household appliances are of poor quality.” He concedes that at some administrative levels there emerged a disrespect for law and encouragement of “eye-wash and bribery, servility and glorification,” even “criminal acts.” Widespread perplexity and indignation welled up in the population so that “the great values of the October Revolution and heroic struggle for socialism were being trampled underfoot.”

Problems snowballed faster than they were resolved, Gorbachev further concedes. He says: “This, unfortunately, is not all. A gradual erosion of the ideological and moral values of our people began.” The national problems of alcoholism (including moonshining), drug addiction, and crime are cited.

Thus was the Soviet Union by the first half of the 1980s “verging on crisis.” This conclusion was announced at the Plenary Meeting of the Central Committee of the Soviet Communist Party in April 1985. Then the Soviet leaders, headed by Mikhail Gorbachev who had been named General Secretary only the month before, attacked the “spend-away” economy in which managers achieved “growth” through

construction of new plants and employment of more workers without reference to effective demand.

They similarly condemned the “gross-output” planning and production approach which stresses “weight” and “quantity” of goods, again without reference to market requirements including quality and cost control. The upshot was, as noted, installation of the momentous policy of *perestroika*—the restructuring of the Soviet economy. Broadly applied at home and abroad, says the General Secretary, perhaps with a twinkle in his eye, *perestroika* could lead to a “nuclear-free, non-violent world.” Sure.

Yet details of *perestroika* are anything but spelled out. Yes, he notes that a key Law on State Enterprise has been adopted in which orders are imposed on industrial executives to align supply with demand. State businesses must henceforward, for example, engage in cost accounting. They must engage in vigorous competition.

But, says Gorbachev, we refuse to give up the planned economy. So he still speaks of “socialist planning,” “socialist competition,” and even “the socialist market”—however self-contradictory the phrase.

We reject the capitalist model of the West, he declares, adding that, properly imple-

mented, “socialism can achieve much more than capitalism.”

But does the rejection make sense? Are ends and means in harmony?

Or, is Mikhail Gorbachev trying to save face in this extraordinary book, to save but the trappings of socialism? Or, is he, like Lenin and the NEP before him, simply trying to buy time, to retreat two steps now so as to advance three steps later? I don’t know the answers to the last couple of questions.

I do know, however, following Ludwig von Mises’ 1922 classic, *Socialism*, that a centrally planned economy isn’t a viable system. Without limited government and private property, socialist planners can’t perform “economic calculation”—the use of market prices, including relative prices and derivative prices, to coordinate and enhance roundabout production. Without true market prices, in other words, socialism flies blind.

In any event, Nixon’s entreaty for America makes sense: *En garde*. □

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