

Gorbachev and the importance of economic weaknesses in the fall of the USSR

Long-term economic weakness

- The economy had been in decline and stagnant throughout the Brezhnev era and was an area where Gorbachev would need to reform.
- The Novosibirsk report in 1983 highlighted the problems in agriculture in terms of it being inefficient and inflexible.
- The report was only for the eyes of the Politburo and many of them were old and either didn't understand it or chose to ignore it.
- Gorbachev tried a series of trial and error to try and reform the economy but these failed to work. The lack of a functioning economy which would improve the lives of people led to the government being vulnerable.

The initial reforms

- Gorbachev's first step was to place other reformers in positions as the gerontocracy would try and block any new measures.
- One of his main rivals Grigory Romanov was dismissed and he brought in supporters of reform in Boris Yeltsin and Alexander Yakoviev.
- One of his first attempts was to carry on Andropov's policy of tackling the alcoholism in the country. This would help to improve productivity at work.
- Alcohol accounted for 15% of all household spending. Gorbachev's statement in April 1985 was "We can't build Communism on vodka"

The reforms

- The legal age of alcohol was raised to 21.
- The number of places that could sell alcohol was reduced.
- The cost of vodka tripled and these measures were initially successful.
- The negative of these measures was that the tax on the sale of alcohol fell and this caused a shortfall in the budget.
- People started making their own alcohol and this led to further problems this often caused illness to consumers.

Twelfth 5 year plan

- The plan was to invest in science and research, especially engineering.
- Read page 117-118 and make notes on the different measures introduced by the twelfth 5 year plan.

Economic Perestroika

- By 1987 Gorbachev realised he would need to do greater restructuring of the economy, especially as members of the Party were trying to prevent changes.
- He wanted to introduce a series of market mechanisms and allow private enterprise which hadn't existed since the NEP to try and reinvigorate the economy.
- The hope was this would give greater incentives to produce better quality of goods and also a more flexible economy than one controlled fully by the state.

The measures

- **The encouragement of Joint ventures- January 1987:** This allowed foreign businesses to set up and trade in the USSR. Foreign businesses would boost the economy and employment opportunities. 1990 Moscow got its first McDonald's.
- **The law on State Enterprises- June 1987:** The state reduced control over wages and prices which weakened the Gosplan. Managers could be elected and factories could produce the goods they wanted once they met the state targets.
- **Co-operatives were legalised- 1988:** Small-scale private businesses could be set up and set their own prices. This created a large number of cafes, restaurants and small shops.

The impact of perestroika

- Read page 119 and make notes on the impact that the reforms caused on the economy.
- **State commission on economic reform**
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- In July 1989 a commission on economic reform stated that a more radical solution was needed.
- The report split the Politburo as some wanted to initiate the changes immediately but others wanted a gradual change.
- Shatalin, one of Gorbachev's advisors put forward a 500 day programme to rapidly move the economy forward but this was rejected by the government but accepted by the parliament.
- Soviet economic output declined by 20% between 1990 and 1991