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Gorbachev's Domestic Challenge:
The Looming Problems (U)

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Key Judgments

Information available as of 2 February 1987 was used in this report.

General Secretary Mikhail Gorbachev is off to a strong start. He has consolidated power with unprecedented speed, put in place an ambitious program for economic revitalization that has already achieved some results, set higher standards of accountability for the bureaucracy, and improved the image of the Soviet leadership at home and abroad.

But Gorbachev's greatest challenge lies ahead. He has staked his leadership on radically improving the functioning of the Soviet system while keeping up with the United States abroad. The cautious changes he has sanctioned so far are, in our view, insufficient to achieve these goals. Over the next few years, he is likely to face tough choices between accepting results that will fall well short of his goals--and a resultant erosion of his power--or pushing the Soviet leadership toward far more difficult--and politically controversial--policy measures.

Revitalizing the Economy. Gorbachev has made economic revitalization his priority issue, arguing that Soviet national security and influence abroad are dependent on a sharp economic improvement. So far, despite the urgency of his rhetoric, he has relied on traditional methods--discipline, organizational streamlining, new people, refocusing investment to machine building--and some modest reforms to achieve his goals. While these steps are improving things somewhat--and from the Soviet perspective are impressive and significant--they appear likely to fall well short of achieving both the growth and technological progress Gorbachev is seeking over the next five years.

To achieve his goals for improved economic performance, he will have to consider more politically risky and economically disruptive reforms. Moreover, progress on the economy is inextricably linked to developments on a host of other controversial political and social issues. Gorbachev is already facing strong opposition from those who see their jobs, status, and sinecures threatened by his efforts to turn the Soviet economy and society around. His cadre policy--to replace government and party bureaucrats to increase efficiency, imagination, and commitment--is at the focal point of the struggle.

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Mastering the Bureaucracy. To implement successfully even the changes he has announced so far, Gorbachev will have to transform a bureaucracy renowned for its ability to resist leadership direction into a more responsive and efficient instrument of change. Despite his political success to date, he has only begun to accomplish this task. His words and deeds clearly show determination to tame the party and state bureaucracies, but resistance to his initiatives is fierce

unrelenting pressure to get his agenda implemented is already creating a large pool of disgruntled apparatchiki intent on blocking his program, and he may well have to consider even more forceful measures.

Managing the Politburo. From Gorbachev's perspective, the need to address these interrelated problems will seriously complicate his greatest challenge--maintaining a consensus within the Politburo. The independent-minded officials who make up Gorbachev's Politburo appear to agree that there is a need for new policy directions and personnel to carry them out, but they appear to differ over specific approaches. The convergence of the institutional, economic, social, and defense issues Gorbachev must face will make consensus decisionmaking even tougher to accomplish than it has been so far.

Limiting the Defense Burden. Without restricting the defense burden, Gorbachev will find it increasingly difficult to generate the significant increase in resources he needs to devote to civilian industrial investment, particularly machine building. Unless there is a sharp upturn in economic performance--which we think is unlikely--or major reductions in defense spending--which would be very controversial without a significant reduction in the perceived threat--by the end of the decade, demands for investment in the civilian sector will come increasingly into conflict with demands for more investment in the defense industries. The prospect of such a choice has already led Gorbachev to pursue a bold strategy for managing the US relationship that probably is controversial within the Soviet elite and could, in conjunction with economic considerations, eventually lead him to confront fundamental obstacles inhibiting economic progress.

Managing Societal Pressures. Gorbachev may find that the Soviet populace, long accustomed to a paternalistic state that provides job security and basic necessities at low prices, is a major obstacle to achieving the social-economic transformation he wants. The regime has already pressed workers to be more productive while refusing to devote a greater share of resources

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to consumption in order to provide incentives. Many Soviet reformers believe further changes in social policy--reduced subsidies for necessities, a less egalitarian wage structure, and a more tolerant attitude toward unemployment--will be required to produce sustained improvements in economic performance. Although societal problems are unlikely to reach crisis proportions over the next five years, Gorbachev will need to manage popular concerns effectively to improve morale and productivity as well as to prevent increased discontent.

The Soviet leader has considerable advantages and assets for pushing his agenda. Nevertheless, as these problems converge over the next five years, we believe he will face an increasingly clear choice between settling for half measures that fall well short of his demands and perhaps his needs, or forcing the Politburo to make some difficult and divisive decisions. Failure to take on this challenge probably would not cost him his job but would open his administration to charges of Brezhnev-style immobilism that he seems determined to prevent. The leadership style Gorbachev has demonstrated so far, as well as his rhetoric, suggests that he will turn to more radical policy alternatives rather than accept that fate. He will find some advisers eager to push for a harsher neo-Stalinist path as well as those arguing for more radical policy or systemic reforms. We do not know what mix of these options he might choose or even how hard he will push. But the complexities of the issues and absence of easy alternatives guarantee that the struggle will be protracted and the outcome uncertain both for him and the Soviet Union.

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Scope Note

This paper takes a deliberately speculative look at threats to Gorbachev's power and policies that are almost certain to surface within the next five years. While it is impossible to calculate their severity with precision, the convergence of these problems will make his task more formidable than if they appeared in isolation. The factors we see at work could produce a crunch in the early 1990s, if not before, narrow the regime's options, and force it to make some fundamental policy choices.

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Gorbachev's Domestic Challenge: The Looming Problems (U)

Mikhail Gorbachev has gotten off to a highly successful start as leader of the Soviet Union. No previous Soviet leader has moved so quickly to make his mark on the system. He has installed a new leadership team, fostered renewed hope for the future among at least part of the population, achieved a modest upturn in economic performance, imposed higher standards of accountability on the elite, and revitalized Soviet foreign policy.

Gorbachev's belief that an interrelated mix of economic, political, social, and leadership problems had reached a critical stage in the late Brezhnev years, with dire implications for the Soviet future, caused him to move with such vigor and immediacy. As he saw it, the economy was floundering, with serious implications for Soviet security, because Brezhnev had avoided tough resource allocation decisions and had shied away from the controversy of even limited economic reforms out of a devotion to consensus politics.

Moreover, Gorbachev believed that leadership ineptitude and bureaucratic corruption--a result of Brezhnev's "stability of cadres" policy--had sapped the vitality of the system, eroding its legitimacy and making real policy change in any area difficult if not impossible. He saw a situation in which lower level elites had become dangerously independent of central manipulation and non-Russian republics were operating with uncomfortable independence from Moscow. An accompanying widespread societal malaise and cynicism increased the chances that serious unrest could develop over time, or as a result of vigorous efforts to come to terms with these problems. All of these issues, he felt, stood in the way of the critically important economic revitalization.

In many ways, Gorbachev has been lucky. The inertia of the late-Brezhnev era and the protracted succession resulted in the postponement of many decisions and created widespread support for a more active, decisive leadership. Gorbachev was able to capitalize on this sentiment in the elite to push his own agenda for change. This has been particularly evident in personnel matters. The lack of turnover in key positions for the previous 20 years meant that numerous officials were overdue for retirement when he took over. As a result, he has been able to preside over the most sweeping personnel changes since the Khrushchev era largely by easing out older officials. But he has also moved forcefully to attack the Soviet Union's longstanding alcohol problem, tighten discipline in the elite and society,

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redirect investment, reorganize some government operations, open up public discussion of problems confronting the system, promote greater risk taking and initiative from below, substantially change Soviet negotiating positions on arms control issues, and initiate some modest economic reforms.

These are impressive achievements and significant changes by Soviet standards. Even so, Gorbachev has only scratched the surface. The issues confronting him are complex, and he must tackle a broad range of deeply rooted problems. The entrenched opposition to change of any sort among broad ranks of Soviet officialdom, the erosion of central authority that occurred under Brezhnev, and the relative independence of Gorbachev's Politburo colleagues will make it extremely difficult for him to manage the inevitable challenges that will converge on him as he seeks to take the USSR further along the path of societal and economic change.

There are already some strong indications that Gorbachev is running into trouble. He and other Soviets admit that his "restructuring" (perestroika) is meeting stiff resistance from the bureaucracy. His extensive use of television and "walkabouts" to mobilize the populace behind his campaign reveal in part the difficulty he is having getting officials to support the changes he wants. The need to delay the fall 1986 Central Committee plenum on cadres until January 1987 and the failure to give Gorbachev the specific measures he was after to force the retirement of ineffective officials are the most recent and graphic evidence of this difficulty, as many officials appear willing to struggle against perceived threats to their jobs and perquisites.

Gorbachev, in fact, is facing the most critical test of his leadership. His effort to change the rules governing cadre policy has sparked considerable resistance in both the bureaucracy and the leadership. More generally, his style of leadership and the pace of change he is pushing are very unsettling--indeed threatening--to the Soviet establishment. Jobs, privileges, and power are at stake, not to mention challenges to long-held policy assumptions. He appears to have the support and momentum to surmount this challenge, but his brash effort to tackle the cadre issue has created political problems for him.

So far, the opposition appears to have slowed his progress somewhat but has not dampened his determination to push his program ahead. He probably expected this and considers it a sign that his approach is on target.

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Gorbachev's Plan for Economic Recovery

Gorbachev's program for economic recovery, as it has been fleshed out so far, appears to contain three overlapping, mutually reinforcing stages. During stage one, the economy is to be kick-started in an effort to produce an economic dividend that can be used to buy the time required to institute a more comprehensive program for dealing with the country's

economic problems. Policies designed to strengthen the structural foundation of the economy are to be instituted during a second stage, beginning in the late 1980s. The regime is hoping that the synergistic effects of these measures will propel the economy to a higher level of economic growth during stage three in the 1990s.

Stage I (mid-1980s)

Human factors:

- Increase worker discipline.
- Wage anticorruption and antialcohol campaigns.

Laying groundwork for modernization:

- Retool machine-building industry.
- Restructure construction sector.
- Restructure investment to focus on new capacity for producing high-technology products (robots, telecommunications, electronics, computers).

Resource savings:

- Substitute capital for labor in low-technology functions.
- Set stringent fuel and raw material standards.

Management reform:

- Streamline and redirect the economic bureaucracy.
- Expand enterprise rights.
- Enhance incentives for individual initiative.

Stage II (late 1980s)

General modernization:

- Renovate existing facilities.
- Retire obsolete machines and retool.

S&T revolution with emphasis on high-tech industries.

Management reform:

- Make prices more responsive to supply and demand.
- Require enterprises to be self-supporting.
- Establish direct links between producers and consumers.
- End egalitarian wage structure.

Stage III (1990s)

Cumulative effect of the policies of stages I and II propel economy to a higher level of growth.

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Gorbachev's progress nevertheless will be complicated by the complex and closely interconnected array of problems he faces. The very measures he needs to implement on one front are likely to exacerbate the problems he faces on others. He will need to juggle policies carefully in several key areas so that he can advance his overall agenda without creating new problems that could be potentially more dangerous than those he is attempting to solve.

This close intertwining of the challenges Gorbachev faces is best illustrated in the economic sphere. It is clear that revitalizing the economy--accelerating the growth rate and increasing productivity--is his most pressing priority. The measures being discussed to achieve this, however, could temporarily squeeze the defense sector, further fuel bureaucratic resistance, and heighten social tensions. Such steps would be controversial and risky, increasing Gorbachev's political vulnerability. The risks inherent in such a course are increased by other unpredictable factors (Chernobyl', agricultural disasters, the oil price decline) that are beyond his control.

Revitalizing the Economy

Gorbachev has been remarkably candid about the scope and consequences of the USSR's lagging economic performance, stating at the 27th Congress that economic revitalization is the "key to all our problems in the near and distant future," both "internal and external." He has acknowledged that without improved economic performance the Soviet Union will have trouble simultaneously meeting its requirements for defense, boosting consumer welfare sufficiently to improve labor productivity, and modernizing industry.

The Soviet economy is saddled with a technologically obsolete industrial base, gross systemic inefficiencies, a perverse system of incentives that fails to motivate most workers, and a populace that is increasingly cynical about Soviet reality and desires major improvements in its lot. Factors that have restricted Soviet economic growth since the mid-1970s will continue to hamper the Soviet leader in his efforts toward economic revitalization:

--The growth of the working-age population will continue to be very slow until the early 1990s.

--The cost of exploiting, processing, and transporting fuels and raw materials will continue to increase sharply.

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--The highly centralized system will make it difficult to manage the increasingly complex economy.

The program Gorbachev has so far set in motion is ambitious by Soviet standards. But it relies, at least in the near term, on fixing the system he inherited rather than on radical departures. It is designed to achieve a boost in output, quality, and technological progress over the next few years. To do this he is promoting increased reliance on "human factors"--personnel and organizational changes, increased discipline, and a longer term acceleration in economic growth generated largely by gains in productivity as well as some modest reforms. (See inset "Gorbachev's Plan for Economic Recovery.")

These measures are prudent, long overdue, and have already yielded some increase in growth of industrial output, but the program contains a number of unresolved problems. For example:

- High growth rates and a simultaneous improvement in quality and technology are not readily compatible objectives. The industrial production targets for the 1986-90 plan, for example, appear too high to allow for a slowdown in production to install new equipment.
- The domestic machine-building industry will have difficulty producing most of the high-quality equipment needed for the modernization program.
- The modernization program is dependent upon rates of technological innovation and assimilation that, to judge from recent Soviet history, are overly ambitious.
- The system of economic incentives still discourages management innovation and technological change and thus works at cross-purposes to the goals of the industrial modernization effort.
- Barring a sharp expansion of the opportunities for privately held small business, the program does not allow for sufficient increases in consumer goods and services to improve worker morale and spur greater effort.

If these problems cause Gorbachev's approach to fall short of his stated goals, he will have to face the difficult issue of what to do next. Politically, none of the options that we see--retrenchment, tightening the screws, policy or systemic reforms--will be easy, and the economic results will be far from certain. But the course he chooses will have major implications for him and his country.

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Containing the Defense Burden. Economic revitalization requires a sustained commitment of resources to industrial modernization that will increase competition between civilian and defense needs. Gorbachev hopes that his economic program will generate sufficient growth to satisfy both. Indeed, he has evidently sold a decision to hold down growth in defense spending for the present by promising that his economic and foreign policies will produce such results. Because of the kinds of problems described above, however, achievement of such growth in the short run appears remote; consequently the politics of resource allocation are likely to become more contentious.

The party leadership is solidly behind the need for a strong defense and has hailed the achievement of strategic parity with the United States, and with it increased global influence, as one of the great accomplishments of the Brezhnev era. Gorbachev cannot afford to be perceived as allowing a retreat on this issue even though his economic agenda requires him to contain growth in defense spending. The momentum of continuing Soviet military programs--which will keep the USSR in a strong competitive position with the West through the mid-1990s--has given him some breathing space. But the increased US political and military challenge could erode Soviet gains over the longer run and endanger Gorbachev's plans.

Gorbachev is aware of the political danger inherent in this balancing act and has adopted a two-pronged strategy for managing it. First, he has defined the need to revitalize the domestic economy as a matter of national security, posing the technological gap and greater productivity of Western economies as the major security threats in the long run. (See inset "The Economy and National Security: A Soviet View.") Second, he is aggressively attempting to mitigate the potential results with a much more active and bold foreign policy--one that seems to imply some new thinking in Soviet strategic doctrine. He has put forward proposals that would, if accepted, lead to significant reductions in offensive nuclear weapon systems in exchange for major limits on Western development of exotic technologies and strategic defense.

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The Economy and National Security: A Soviet View

The current leadership's thinking on the intimate link between a strong domestic economy and Soviet national security was spelled out most clearly by Vadim Zagladin, First Deputy Chief of the Central Committee's International Department, in a speech to the Turkmen Republic's party congress in January 1986. He said:

In the early seventies imperialism was forced to make the move from cold war to detente. Why? Because the Soviet Union had managed, on the basis of its economic achievements, to acquire military-strategic parity with the United States. This caused many hotheads in Washington and in the West in general to come to their senses.

Then, in the midseventies a brief detente gave way to confrontation. Why did imperialism take this turn? There were various reasons, but one of them was that economic difficulties in the socialist countries, including in the Soviet Union, were perceived in the West, and above all in the United States. And they thought: Now we can apply the "squeeze" and force the Communists to capitulate.

But at the end of 1985 the Americans suddenly decided on a meeting between President Reagan and M. S. Gorbachev, and on the signing of a statement that contains exceptionally important proposals that are well known to you. Why then did the United States venture such a step as Geneva? Not least because they noticed that things were going better in the Soviet Union and that our development had begun to accelerate again.

The boldness of Gorbachev's proposals suggest that for now he is being given wide latitude in pursuing this strategy. Even military leaders probably recognize that long-term military competitiveness requires a more vigorous and technologically dynamic economy.

But this new approach almost certainly has its doubters and opponents in both the political and military establishments:

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- Gorbachev told US Congressmen--undoubtedly for self-serving reasons--that the military was not enthusiastic about his testing moratorium, and there have been other reports of resistance to Gorbachev's arms control initiatives.
- There are indications of dissatisfaction in the military due to a perception that Gorbachev intends to budget less for defense.
- Following the Iceland summit there were indications that Gorbachev's negotiating room was constrained by his Politburo colleagues.

If Gorbachev is not perceived as reducing the threat through political means--agreements that restrict SDI or create a political climate in the West that reduces political support for such programs--he will come under enormous political pressure in the years ahead to change course and step up defense spending. Many factors--some of them not under his control--could play into the hands of the latent opposition. These include:

- Failure of economic modernization efforts to begin producing promised benefits for the defense sector.
- Increased international tensions, particularly with the United States.
- A Soviet perception that efforts to contain US policies and programs are failing.
- A perception by the Soviet elite that Gorbachev's foreign policies are putting past gains in jeopardy, particularly if the West appears to be making advances in the Third World or if Moscow's control in Eastern Europe appears to be eroding.

Managing Societal Pressures and Discontent. Societal problems are more subtle than the other issues facing Gorbachev. There is no easily identifiable crunch or decision point on the horizon. But revitalizing the economy ultimately involves some effort to revitalize the society and make it more productive. Regardless of the political and societal risks, Gorbachev will not be able to ignore this linkage if he wants his agenda to succeed.

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Although Stalin was able to proceed with his radical solutions to the Soviet economic dilemma on the assumption that he could compel popular compliance, Gorbachev does not have that luxury. He does not have the instruments to force compliance that Stalin had and is unlikely to gain them. Moreover, Stalinist draconian measures seem ill suited to his goals of encouraging innovative and creative solutions to Soviet problems, and in curing societal ills and mobilizing the Soviet intelligentsia behind the effort. (See inset "Societal Problems and Economic Consequences.")

Gorbachev needs a more productive, innovative, hard-working, and compliant work force for his economic revitalization to succeed. While tightening discipline, rooting out corruption, and attacking the nation's alcohol problem were long overdue, the effect of his policies is largely coercive. As the slack is squeezed out of the nation's human resources, the economic benefits to the regime will diminish.

Beyond exhortation, moreover, little has yet been done to get the populace willingly to contribute more effort to the cause. While Gorbachev wants innovative behavior, he has not yet indicated he is willing to pay the price to bring this about. He has shown no inclination so far for increasing significantly the regime's resource commitment to consumption in order to provide greater incentives; he appears to hope instead that his modest reforms in agriculture and services might do this on the cheap. Nor has he done much more than hint that the "social contract" --the set of policies dating back to Lenin that guarantees all a job and the necessities of life at greatly subsidized prices--is open for modification. (See inset "Social Contract.") While some adjustment to this contract is economically long overdue and might provide more stimulus for the initiative and innovative behavior he seeks, Gorbachev almost certainly knows that such a "wager on the strong" would be widely unpopular, intensify social tensions, cause some questioning of the regime's legitimacy within society, and raise political and ideological hackles within the leadership.

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Societal Problems and Economic Consequences

Regime policies--or lack of them--have produced growing dissatisfaction within society that has adverse economic consequences:

- The low standard of living in many regions targeted for priority development makes it difficult to retain workers.
- The shortage of housing and other amenities creates frustrations that contribute to a climbing divorce rate and a declining birthrate in Slavic areas.
- Alcohol abuse contributes to adverse demographic trends and is partly responsible for high rates of worker absenteeism and industrial accidents.
- Many worker hours are lost in the daily ordeal of shopping, yet consumer refusal to buy shoddy goods has led to the buildup of savings and further decreased the incentive benefit of wage increases.
- The second economy has created a rival marketplace to which human and material resources needed by the state are diverted; while it does help satisfy consumer demand, it also subverts centrally established priorities and challenges centralized control over prices and income distribution.
- The labor shortage, along with the Soviet policy of "guaranteed employment," has given the work force considerable job security, making it less malleable to regime efforts to direct it and more inclined to bargain for improved working conditions by changing jobs.

Gorbachev's approach is a double-edged sword. There are already signs that the raising of expectations by his earlier actions has created a backlash, calling into question the regime's ability to deliver on its promises. Such dissatisfaction could undermine his program if not managed effectively. Even Gorbachev's efforts to open up the media to a broader discussion

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and debate of Soviet reality, problems, culture, and change could increase political and social tensions and erode control. Faced with one or a combination of such developments, Gorbachev could feel compelled to crack down in ways that are counterproductive to his objectives.

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The Social Contract

The "social contract," as it came to be understood under Brezhnev, gave all citizens the right to expect a gradually improving, minimum standard of living in return for social stability. Its main elements included:

- Job security in the current place of employment for nearly all citizens, along with the right to change jobs.
- Subsidies of basic necessities: housing, food, transportation, health care.
- Latitude for individuals to pursue their personal life without government interference.
- Broad opportunities for higher education.

Taming the Bureaucracy. Gorbachev inherited a bureaucracy that was bloated, corrupt, and inefficient. These traits have historically plagued the Soviet regime, but they were compounded by Brezhnev's policy of "stability of cadres," which increased the cadre's independence from effective control by the center. Ministries and local party organizations became powers unto themselves, pursuing their own agendas, tolerating rampant corruption, and ignoring accumulating economic and social problems. In Gorbachev's words, regional leaders came to rule like "appanage princes." (See inset "The Battle for Moscow.")

More than ever before, the central and regional bureaucracies became instruments of the status quo rather than engines for the top leadership to work its will. Left to themselves, they will--as they have since Stalin--swallow up efforts to reform or change the way things are done. Gorbachev is well aware of this danger; as he said at a June 1985 Central Committee plenum, the ministries and Gosplan have "vast experience" in interpreting party and government decisions in such a way that there is "nothing left" of their original intent.

Given the implications for his program and power, Gorbachev cannot afford to defer or to lose the battle to bring the bureaucracy to heel. He is already moving aggressively to get

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effective control of the apparatus by putting new people in place, reorganizing the bureaucratic infrastructure, and dramatically increasing the accountability for results:

--Wholesale personnel changes have been made from the top to the bottom of the Soviet system. Since coming to power, Gorbachev has replaced about half of the government ministers and over one-third of the provincial party leaders. To help break up long-entrenched fiefdoms, he has gone outside traditional channels to make many of these appointments.

--A major reorganization is well under way in the agro-industrial sector, and less sweeping bureaucratic realignments are taking shape in the foreign trade, machine-building, energy, and construction sectors. This process is being used to fire many bureaucrats--the head of the agro-industrial complex, Vsevolod Murakhovskiy, said that there would be a 47-percent cutback of personnel in his sector--and to break up old patterns of personal interaction that can thwart the center's aims.

--The pressure to produce results has been substantially increased. Using the slogan of "restructuring," Gorbachev and company are turning up the heat on the government and party cadres to change their style of work, become more open to new ideas and criticism, and take the initiative. As Moscow party leader Boris Yel'tsin advised, "It is better to take risks than remain idle." Despite the fuzziness of the "restructuring" concept--or perhaps because of it--the concept has given the leadership a powerful tool for hammering the apparatchiki, making their environment much more uncertain and politically dangerous. Officials up and down the line who for one reason or another are not measuring up are frequently criticized by top leaders, subjected to attacks in the press, and denounced in decrees. In effect, officials are being told to get with the program or--as Gorbachev put it in a speech in Leningrad--"get out of the way."

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The Battle for Moscow

Gorbachev is facing a critical test of his leadership in his effort to gain control over the Moscow party organization. Under Brezhnev, corrupt and inefficient practices proliferated in the Soviet capital. It was effectively the personal barony of Viktor Grishin, virtually immune from central control. Gorbachev faces similar problems in many regions of the country, if he cannot reestablish central authority in Moscow, it will send a strong signal to other local officials that they can continue to resist his new broom.

To do battle in Moscow, Gorbachev turned to the most dynamic and outspoken member of his leadership team--Boris Yel'tsin. Since taking over as Moscow party boss in Decembewr 1985, Yel'tsin has moved with extraordinary speed to throw out ineffective members of the old guard and set new, higher standards of performnace. To enforce the latter, he has begun a "certification" campaign, putting local officials on notice that they will be fired if they fail to perform, and following through on his threat. He is also using the city party committee's reponsibility for overseeing party committees in government ministries as a weapon to make them more responsive to Gorbachev's agenda.

While Yel'tsin's aggressive, no-nonsense approach is already producing results, it is also creating a strong backlash of resistance. He has antogonized officials at all levels; some have called for his resignation and even threatened his life. He has probably alienated ministers and Central Committee officials by meddling in their work and offended some of his Politburo colleagues with his brash tactics and disdain for traditional privileges. It is noteworthy that Yel'tsin has not yet been able to achieve full Politburo status, despite his closeness to the General Secretary and the fact that the Moscow party secretary has traditionally been accorded such statu:

Yel'tsin's and Gorbachev's political opponents will be looking for an opportunity to strike. Should some of Yel'tsin's initiatives falter, an opportunity might be provided the opposition. To retain the offensive if the going gets rougher,

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Yel'tsin will need continued strong personal backing from Gorbachev. Only with firm support from the top will he be able to continue to defy the rules of the game as they became established under Brezhnev and enforce the tough new standards he has created.

Not surprisingly, Gorbachev's approach has produced considerable confusion, grumbling, and outright resistance within the elite. It appears to come from bureaucrats who fear for their jobs and privileges as well as from those who believe the policies are unsound:

--Gorbachev's new State Agro-Industrial Committee does not appear to be working smoothly, and officials in other sectors sometimes appear paralyzed by reorganizations and fear of losing their job.

--Gorbachev has acknowledged resistance to his policies. During his visit in Krasnodar he blasted officials who "shout loudly about restructuring while actually applying brakes to its implementation." He also acknowledged that party veterans have criticized his openness campaign for publicly airing the party's dirty laundry.

Gorbachev has a hard struggle ahead to overcome resistance from the bureaucracy. Over the long term the Soviet leader must restore a greater degree of order, discipline, and commitment in the bureaucracy if he is to prevent erosion of his power and sabotage of his reforms. If he cannot, the economy will suffer, calling into question his strategy and forcing the leadership to grapple with the even tougher question of what to do about it. Such a situation would allow the initiative to shift to less reform-minded members of the Politburo and halt the momentum for change.

Maintaining a Consensus in the Politburo

Ultimately, Gorbachev's success depends on his ability to build and maintain a strong, cohesive coalition in the Politburo. Barring a leadership coup on the order of Khrushchev's 1957 move against the so-called antiparty group, (1) cohesiveness will become more difficult to maintain as the leadership is forced to make increasingly difficult decisions concerning controversial issues such as economic reform, resource allocation, and relations with the United States.

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Even with his successes, there is strong evidence that Gorbachev does not yet have a free hand in the Politburo. On a number of issues he has gotten out in front of his Politburo colleagues, and he apparently has not been able to get his way on some key decisions:

Gorbachev

Speaking to Soviet writers in June, he mentioned 'conflicts' and 'arguments' in the Politburo.

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--At the 27th Party Congress last year, there were signs of differences within the top leadership over the advisability of economic reform and the continued existence of special stores and other privileges for the elite. Gorbachev's call for a 'radical reform' at the congress has been echoed only by Premier Ryzhkov and RSFSR Premier Vorotnikov, and then only in a narrower context.

--During his July 1986 visit to the Soviet Far East, Gorbachev appeared to be trying to gain leverage in the Politburo by demonstrating popular support for controversial policies, such as expanding the role of the private sector in providing consumer services.

--A key Brezhnev holdover, Ukrainian party boss Vladimir Shcherbitskiy, still remains on the Politburo despite increasing evidence that Gorbachev wants to remove him.

--Gorbachev's protege from his home bailiwick of Stavropol', First Deputy Premier Murakhovskiy, has not advanced to the Politburo even though his position merits such status. Moscow party boss Yel'tsin--the archetype of the new kind of leader Gorbachev is trying to advance--has not yet achieved the full Politburo membership enjoyed by his predecessor.

--The resistance to Gorbachev's efforts to deal with some of these issues has been evident by the long delay of the Central Committee plenum on personnel policy, finally held in January 1987.

Several other factors are likely to inhibit Gorbachev's ability to maintain a strong working coalition:

--While he has remade the Politburo and most of its members clearly are beholden to him to various degrees, it is a coalition of independent-minded leaders from different regions and institutions, not a stable of his cronies. Few have lengthy career ties to Gorbachev or can be clearly considered his proteges.

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--Gorbachev does not yet have a strong independent power base. His power is built in part on the bandwagon created by his initial successes and the perception that his supporters will be rewarded. Under a severe test, his coalition could unravel as quickly as it came together.

--As he establishes a record, Gorbachev will become increasingly accountable for the results and will no longer be able to blame shortcomings on past failures.

--While the new leadership appears to share a determination to revitalize the system, there does not appear to be a consensus on what this critical objective requires.

Most important, Gorbachev has a strong second in command-- Yegor Ligachev--who could become a rallying point for all who oppose his program. Although Ligachev appears to be supporting the thrust of Gorbachev's agenda, his speeches suggest that he is more cautious on economic, political, and cultural reform; the pace of personnel turnover; and policy toward the United States. For example, at the January 1987 plenum, Gorbachev called for secret balloting in party elections, while Ligachev earlier argued that open party elections are preferable. While Ligachev may continue to be supportive of Gorbachev, if some of the policies pressed by the General Secretary begin to produce negative results, a coalition of more conservative leaders, supported by disgruntled central and regional officials, could turn to Ligachev--as they turned to Brezhnev in 1964--to slow the pace of change, if not to take control.

Recognizing Trouble

So far, Gorbachev has been able to avoid galvanizing opposition by taking one step at a time and choosing his battles carefully. This approach reduces his risks, maintains harmony at the top, and keeps his options open. Many of the problems Gorbachev is facing, however, pull him in different directions-- solutions in one area add to his problems in another.

Gorbachev needs most of all to show that his economic program is producing the desired results. We do not know precisely what the measure of success will be and perhaps neither does he. It almost certainly is something less than his highly ambitious rhetorical objectives. But, given the turbulence and disruption his policies are causing, he needs to show that he can deliver a level of economic performance that is considerably above that of the Brezhnev years. Despite the vigor of his

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efforts and the fact that he is off to a good start, the interlocking nature of the problems he faces will make this very hard to achieve. His economic results may well become increasingly marginal. The gap between what he wants to achieve and what he is achieving may in fact widen. If this does come about, over time it should be apparent by evidence such as:

- Published Soviet statistics that indicate major failure to meet plans for production growth within sectors critical to success of the modernization program, such as those producing machine tools, computers, robots, or microelectronics.
- Continued significant delays in commissioning new, more technologically advanced facilities.
- Failure to come close to targets for reequipping older plants with state-of-the-art technology.
- A failure to obtain investment growth consistent with planned growth in production.
- Indications that the discipline and antialcohol campaigns, along with modest reforms in wages, the price system, and the service sector, are not increasing labor productivity.
- Manifestations of social discontent that suggest the populace does not believe Gorbachev's promised benefits of modernization and has not accepted his efforts to tighten social discipline.
- Diversion (or increased pressure for diversion) of resources away from investment to defense spending and consumption.
- Retreat from Gorbachev's bold approach to reengaging the United States and increased reporting from sources not under Soviet control that Gorbachev has come under criticism for conceding too much to the United States.

A clear signal that Gorbachev has political problems would be the loss of momentum behind his current policies. Over the next several years this could be reflected in many ways:

- A widening gap between his rhetoric and that of his colleagues on themes central to his agenda (restructuring, openness, accountability, corruption).

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- A decline in the vitality of the press and media, and/or a reining in of discussion on controversial issues of economic or social policy.
- Indications that openness is getting out of hand, producing ferment for change that cannot take place within the framework of the authoritarian Communist system.
- A less critical approach toward assessing the work of high officials and failure to fire those who are falling short of expectations.
- A challenge (in the rhetoric of his colleagues or in the annual plans) to his expressed preference for making investment the priority claimant of economic resources.
- A slowdown or halt in the rejuvenation of the party and state bureaucracies, and failure to follow through on the stated intention to reduce their size and redistribute their functions.
- The inability to advance allies (Murakhovskiy, Yel'tsin) or the removal of officials associated with Gorbachev or his programs.
- Failure to keep up with the recently published five-year legislative agenda for addressing key issues of economic reform, or watered-down laws that appear to accomplish little.
- A greater emphasis on leadership collectivity reflected in regime rhetoric, the increased prominence of other leaders such as Ligachev and Ryzhkov, or a reduction in Gorbachev's high profile.

Managing Adversity: Gorbachev's Options and Prospects

To be a successful leader, Gorbachev does not have to resolve all his problems. If he can make headway addressing some of the issues that vexed his predecessors and keep domestic and foreign policy on an even keel, he is likely to be viewed favorably by most of the Soviet power elite. He will probably have some latitude to scale back his goals and proclaim victory-- a move that might signal the failure of his ambitions but save his position. Moreover, while this study articulates the convergence of serious problems, it must also be remembered that he has formidable strengths for meeting them:

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- Unlike former Premier Kosygin, whose economic reform effort in the late 1960s foundered on the combination of passive resistance of the powerful ministries and Brezhnev's 'stability of cadres' policy, Gorbachev has demonstrated the willingness and ability--up to a point--to remove people who get in his way.
- He has the commensurate ability to reward those who board his bandwagon.
- He has the demonstrated ability to mobilize the formidable powers of the Soviet media behind his efforts. He occupies, after all, the Soviet version of the 'bully pulpit.'
- He is working with a populace that, from the intelligentsia to the workingman, has long been troubled by the growing malaise in Soviet society and looking for a 'boss' (vozhd) who can clear it up.
- Whatever doubts or even resistance there may be in the military, there is no apparent active opposition to his efforts, and perhaps even strong support from those who take the long view.
- Whatever the opposition, the General Secretary is still working in an essentially 'command' environment, where active--rather than passive--opposition constitutes grounds for removal or punishment. Moreover, none of his fellow Politburo members have the sort of strong independent reputations, stature, and bases of political support that Suslov, Kirilenko, or Kosygin had under Brezhnev.

Even with these strengths, Gorbachev must balance the need to consolidate his political position and increase his authority with the need to make changes that will cause considerable resentment and distress throughout segments of officialdom and society. His predecessors, Khrushchev and Brezhnev, found that these objectives were not fully compatible. Khrushchev ultimately lost the political battle because his erratic approach to reform created so much political ferment and economic dislocation that his position was undermined. Brezhnev, by contrast, husbanded his power to such an extent that in his last years the country stagnated and the problems became worse.

Gorbachev is clearly aware of this dilemma. While he has articulated the need for 'radical reform' and 'revolutionary

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change'' and made significant changes by Soviet standards, his approach has been more cautious and evolutionary, reflecting his political calculation of what the traffic will bear. He will almost certainly try to stay with this political balancing act; it is the only approach that offers some chance for progress on his policy agenda while keeping his political risks manageable. Even this modulated approach to reform, however, has produced considerable ferment within the elite and society, primarily because of the personnel actions and uncertainty that have accompanied it.

How he will balance his political requirement to hold on to power with his vision of making the Soviet system more economically and politically competitive remains unknown. The economy is now so complex, the institutional and ideological resistance to change is so great, and the competing demands for resources are so contentious that the potential for serious miscalculation is high. We do not believe that he can successfully pull off the span of successes he has set out for himself in the political, economic, military, and civilian areas without making increasingly difficult choices that affect established economic, defense, and social policies simultaneously. When Gorbachev confronts the growing crunch that we anticipate, several alternative strategies will be available to him.

Retrenchment. Brezhnev pioneered the strategy of accumulating power while avoiding controversial issues. If the political and economic pressures become too great, Gorbachev might do the same. Such an approach would probably require him to lower his rhetoric, ease the pressure on party and government cadres, avoid pushing controversial reforms, define more precise boundaries for media treatment of controversial issues, relax efforts to tighten control over minority republics, and hope that the economy would produce sufficient growth to provide for the major claimants. Presumably he would extract increased public leadership support as his quid pro quo for these concessions.

There are, however, a number of reasons for Gorbachev to question whether such a political strategy will work:

--He has staked his position on breaking with the inertia of the past and dramatically improving system performance. A retreat from this agenda would discredit his leadership and be viewed as a political defeat. It probably would embolden a would-be opposition to increase the pressure on him while alienating the support of reform-minded elements in the party.

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--A tactical retreat would not provide any solution for the economic crunch we expect in the next few years and would make it more difficult for him to avoid highly contentious resource allocation issues. It is unlikely in such circumstances that any of the major claimants would be satisfied.

Neo-Stalinism. As noted above, there is a strong reservoir of support in the elite and to some extent in society for a return to strong leadership and greater discipline. Such an approach would place increased emphasis on traditional Russian nationalism and central control, tighter police controls, stronger rewards and punishments in the workplace, greater ideological orthodoxy, and perhaps a much more conscious "wager on the strong" that rewards those who produce and squeezes those who do not. A degree of high-level support for this strategy was evident in an article in the party daily Pravda last May by Boris Ponomarev, a former candidate Politburo member and "old Bolshevik," that recalled the success of Stalin's industrialization drive in the 1930s and argued that current economic problems could be solved by setting high targets and mobilizing the population to fulfill them.

This approach could have some attraction for Gorbachev. Some of its elements are already important aspects of his agenda--discipline, anticorruption, and rewarding performers, for example. He might see it as offering more hope than simple retrenchment for addressing the nation's social and economic problems. He might anticipate that it would provide enough resources, by squeezing the consumer and forcing increased productivity, to mollify those who want more for defense

But this option, too, is no panacea and, in fact, would involve substantial risk should he try to pursue it:

--The economic benefit is questionable. The neo-Stalinist option would not solve any of the systemic problems that have led to a decline in economic growth and a low level of technological innovation--problems Gorbachev has defined as priority items. Discipline and related measures worked when the paramount goal was boosting production regardless of cost. The modern Soviet economy, however, is much more complex and needs to use resources with sharply increased efficiency. Gorbachev needs workers to work more conscientiously and creatively, not simply to work harder.

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--It would significantly increase tension in the society. While insecurity can motivate, it can also paralyze. Increased use of Stalinist methods would likely deepen societal malaise, reduce productivity, and undermine regime goals. It could even increase the potential for overt social discontent.

--It would dramatically increase the potential for abuse of political power by Gorbachev and by the regime's instruments of coercion, particularly the KGB. It would raise fears within the elite generally and create great nervousness within the Politburo. Despite the passage of time, the legacy of Stalinism for the party, the military, and other institutions remains vivid. Gorbachev's colleagues would be extremely reluctant to grant him the powers necessary to push this policy with real effectiveness.

Major Policy Reform. Gorbachev has so far promoted what is essentially a politically and economically cautious approach toward change. Some of his advisers have indicated that specific measures will take several years to work out. He undoubtedly prefers to give current, less "radical" initiatives some time to produce results. Under the pressure of unsatisfactory economic results, continued political resistance, and a resource allocation crunch, however, he could try to put teeth into his calls for "radical reform" by adopting some of the bolder policy changes put forward in the more liberal media environment he has permitted. Such a reformist approach probably would likely be aimed at speeding up the process already under way in order to stimulate production and innovation and increase investment funds while risking greater upheaval among the bureaucracy and society. Gorbachev could well include some combination of measures such as cutting subsidies on food and housing to reduce shortages and soak up excessive consumer purchasing power, raising investment even further at the expense of defense and consumption, accelerating turnover within the bureaucracies by more aggressively bringing in younger people to implement his new policies, and increasing support to the private sector. He might also pursue a more aggressive use of the global economy by such measures as borrowing more in the West, raising prices on exports to Eastern Europe, and sweetening terms on joint ventures with Western partners. Some further decentralization of decisionmaking would probably be part of such measures.

Such an approach--long thought necessary by many Western observers--would be consistent with the direction in which Gorbachev is already headed. But he would have to overcome

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enormous political obstacles to implement such a program, and there is considerable room for questioning whether it would actually produce the economic results he wants. The economic dislocation that almost certainly would accompany such far-reaching policy changes could make both the political and economic situation worse.

Gorbachev would encounter resistance to such changes on several accounts:

--A significant expansion of the private sector would be attacked by many in both the elite and society on ideological grounds as a step toward capitalism and hence illegitimate. While previous Soviet leaders have succeeded in redefining ideological dogmas to suit their purposes, the sensitivity of this issue makes this difficult without the power to dictate such a revision.

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Proposals for Economic Reform

Some reform-minded economists in the USSR have taken advantage of the apparently more receptive environment under Gorbachev to advocate bold measures that could transform the economy. Some of the more far-reaching ideas now being discussed include:

- Increased competition among state enterprises. Abel Aganbegyan, an economic adviser to Gorbachev, recently told visiting American economists that inefficient enterprises should be allowed to fail.
- A major decentralization of the price formation and supply systems. Articles in the Soviet press have called for allowing suppliers to deal directly with their customers and set prices by negotiation, bypassing the central supply system.
- The use of "family contracts" for agricultural production and long-term leases of land and machinery by small groups of farmers. Such measures have been used successfully on an experimental basis, and their broad introduction is being promoted by some Soviet economists.

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- A decentralization of decisionmaking would be opposed-- within a broad spectrum of the apparatus, not just the old guard--on grounds that it would reduce the center's control, reinforce centrifugal tendencies among the non-Russian nationalities, increase worker consciousness, and even raise the specter of a Solidarity-type movement.
 - More Western involvement in the Soviet economy would draw Soviet leaders more into the web of international finance and probably constrain somewhat their freedom of action.

The economics of such changes, moreover, are not likely to be an unambiguous success. Substantial dislocations are guaranteed in the short run as the economy adjusts to new conditions, and the adjustments probably would have side effects that many in the leadership would consider unacceptable.

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Systemic Reform. Ultimately, if the present course fails to energize the society and economy sufficiently, and Gorbachev and his associates feel that the Soviet Union is irrevocably slipping into inferior status internationally because of the system's inability to keep up, there is the option of striking at the heart of essential elements of the Stalinist social and economic system that most Western observers and many Soviet reformers see as the real culprit in the present malaise. Such a desperate move would be designed to intensify competition in the public sector and open up greater opportunities for private initiative. Such changes might include permitting the private sector to hire labor, removing the prohibition against heads of household working in the private sector, adopting the family contract system in agriculture, abandoning some central planning in favor of interenterprise contracts, and putting enterprises on a self-financing basis while permitting them to fail.

Resistance to such changes, of course, would be even fiercer than for the policy changes above. While they would probably make the USSR a more efficient and productive entity, they violate the ideological essence of Soviet society and would clearly lead to a long period of disruption, dislocation, and even disorder (besporyadok, the most feared of Russian bogeymen) before their positive effects could be fully felt. Gorbachev would be aware that Khrushchev was dismissed for less far-reaching changes. Among other things:

- Radical economic reforms involving the introduction of market arrangements (free pricing, profit-based incentives, market exchanges rather than central allocation of producer goods) would threaten the jobs, status, power, and privileges of thousands of state and party officials now running the economy.
- Allowing unproductive farms and factories to fail would significantly increase insecurity within society at all levels and could produce open defiance of the regime.
- Increased private initiative probably would drain labor and material resources from state projects, further complicate planning, increase the opportunities for corruption, and widen class divisions within Soviet society.
- A more flexible, responsive price system would alter traditional means for obtaining goods and services, increase inflationary pressures, and raise the cost of necessities for the populace.

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Despite this downside, such far-reaching measures are at least being discussed by some Soviet officials.

Whither Gorbachev?

We cannot be confident in predicting the course Gorbachev will choose in responding to the coming challenges. His actions and rhetoric to date indicate he is inclined toward reform, although it is unclear how far or fast he either wants or is able to go. We believe that adversity would be likely to push him further down the reform path. As his early stress on discipline would suggest, however, elements of the neo-Stalinist option are a component of his strategy, and we cannot rule out a sharp turn in this direction should his current course appear to fail.

In all likelihood he might not stick exclusively to either option, but continue to choose elements from both. Some measure of his direction, at least, will probably be evident in the way four key issues are managed over the next several years:

- Gorbachev's rhetoric. His own public statements might well provide the best indicator of which path he will take. If he intends to press for reforms, he can be expected to continue to raise public expectations, attack bureaucratic obstructionists, and back more explicitly some of the more controversial planks in the reformers' platform. If he intends to retrench, he most likely will try to lower popular expectation, calling for belt-tightening, stressing the difficult economic situation, and tempering his rhetoric against bureaucratic resistance.
- The trend in personnel replacement. Continued turnover, along with an obvious bias favoring younger officials, would suggest that Gorbachev is positioning himself to push for more "radical" measures (reform or neo-Stalinism). Conversely, a marked slowdown in replacement and a cooling of the criticism of apparat performance would indicate increased constraints on his power and perhaps an ebbing of his vision for change.
- The management of public discussion of controversial issues of Soviet history, culture, ideology, economic reform, and societal problems. Any hint that the debate is being reined in would be a red flag on the prospects for reform. Further expansion of public discussion of formerly taboo subjects--such as the discussion of political figures like Khrushchev or Bukharin (2)--would demonstrate

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that the impetus behind forces favoring change is growing stronger and with it the prospects for more radical changes.

--The fate of current reform initiatives such as restructuring the bureaucracy, introducing a less egalitarian wage structure, and expanding opportunities in the private sector. Continued development of such initiatives, along with vigorous implementation and expanded scope, would signal a political intent to push ahead with at least policy reform. Failure to push additional steps in this area, or allowing those already announced to fade into obscurity, would obviously point to a retreat toward the status quo.

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FOOTNOTES

1. In 1957 a faction of the Politburo unsuccessfully tried to unseat Khrushchev. He prevailed at a lengthy Central Committee plenum and ousted his opponents from the leadership.

2. Bukharin was the architect of the New Economic Policy of the 1920s, when the private sector played a major role in the economy.

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