

**INTERACTION**  
**of POLITICAL and ECONOMIC**  
**REFORMS**  
**within the EAST BLOC**

**Lawrence L. Whetten**



**CRANE RUSSAK**

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To  
Klaus Ritter

a mentor to many,  
and to me in many ways

## Preface

In the wake of the 70th anniversary of the Russian October Revolution and more than three years into the tenure of General Secretary Mikhail Gorbachev, it is an appropriate opportunity not only to assess the success and failures of the 1917 revolutionaries, but also to analyze the shortcomings of the Soviet system and describe some of the proposed reforms, then determine the impact of earlier East European changes on current Soviet undertakings and survey the widely diversified East European reactions to them. Lenin led a violent revolution; Stalin administered a second violent revolution; Gorbachev is engineering the Soviets' most comprehensive nonviolent revolution; all this within a system noted for its rigidity, conformity, and orthodoxy, three reasons that have virtually cost the Soviets the international ideological war. The Soviet Union has vast territory, rich natural resources, and a large population, but with its presumed more advanced philosophy of Socialist centralized planning it has been able to produce an annual gross national product (GNP) of far less than that of Japan and only one-half that of the United States. Yet all three countries—Japan, the United States, and the USSR—were entering the Industrial Revolution roughly 70 years ago. Soviet credibility as a super power is based solely on its achievement of military parity with the West in some areas (its conventional navy is not up to the standards of a truly global power).

The Kremlin's acknowledgment of Soviet moral decadence and economic stagnation, juxtaposed against America's relative economic recovery, political rejuvenation, and military expansion in the 1980s, has induced Moscow to gradually alter its priorities from confronting the United States in influence competition or influence denial to remedying internal problems. The USSR has reduced spending in military overseas power projection, signed the December 1987 INF Treaty, and is intensifying disarmament and arms control negotiations with the West. Furthermore, Soviet Foreign Minister Eduard Shevardnadze has repeatedly stated that the "new political thinking" in foreign policy must be considered in economic terms, which is, from its intervention in the Third World during 1977–1979, a new approach for Mos-

cow. As Shevardnadze puts it, "there can be no additional economic burdens imposed by our legitimate foreign policy interests and lawful military responsibilities"; in other words, the Soviet Union is to be its first priority. Such statements only underscore General Secretary Gorbachev's contentions that the most compelling reasons for altering Soviet policies from those of the Brezhnev era have been social and economic. Thus he has called for three or four years of "peaceful waters" within which he can institutionalize economic restructuring (*perestroika*), public and media "openness" (*glasnost*), political "democratization," and social "renewal and rethinking."

There are various schools of thought about the prospects and scope of the changes and reforms and their consequences in the Soviet system. One extreme, held mainly by emigre, is that in any totalitarian society with one party holding all the instruments of power, reform is virtually impossible. Any modification of the unchallengeable grip could only be cosmetic. In a variation on this thesis, Alexander Yanov's *The Russian New Right* argues that there will be a drastic changes, not cosmetic, but they will be oriented toward historic Russian values, minimize the party's ideological demands and its legitimacy, and it will continue to govern based on Russia's traditional virtues and its right to rule non-Russians.

A third notion, pressed by many pragmatic Western political scientists, is that the international environment is dynamic and that to remain viable, or even moderately assertive in self-preservation, some change in a political system is inevitable. The question is the nature, scope, and pace of reform necessary to remain in equilibrium with this environment. A group represented by the Novosibirsk reformers centered around Tatyana Zaslavskaya, and the emigre poet Andre Voznesensky stresses that a genuine psychological revolution has occurred among the elite that will permit and motivate a revolution of modest self-consciousness and public confidence in changes in the "Land of Lenin."

What might be called the "realistic school" suggests that with each Soviet political succession, factionalism over appropriate policies has inevitably developed. In the present situation, factionalism has emerged, poled around Egor Ligachev who endorsed the "Andropovian" concepts of reform: discipline, anticorruption and antialcoholism, and economic restructuring. The antipode was seen in the downfallen figure of Boris Yeltsin, who admonished greater *glasnost* and acceleration of restructuring and democratization, with Gorbachev seeking to maintain the middle ground. Alexandr Yakovlev, a recent Gorbachev appointee to full Politburo membership, in contrast to Ligachev is more liberally and internationally oriented of the new leadership.

A sixth school insists that there has been and will continue to be massive resistance and/or uncertainty among the alienated “second society” for whom *glasnost* is designed to increase greater participatory “democracy” and, therefore, incentives for more intensive labor discipline. But the Russian masses have little experience in such experiments and historically have not fully trusted such ephemeral notions of the urban elites until administrative and/or coercive measures were employed. As in all historic Russian reforms, with the possible exception of the October Revolution, this one, too, is from the top not the bottom, as in the case of Poland.

Still another group identifies the rising “new middle class” with the rising expectations of the all-“white collar” middle classes as their incentives for endorsing the reforms. Gorbachev and his generation of technocrats with no wartime service share these still nascent middle class desires. Should these expectations and aspirations remain unfulfilled, they may likely conclude that the “Social Contract” between the party and the people has been broken and so seriously undermined that the party’s legitimacy has been compromised, especially since ideology has failed to inspire confidence in the political system. (It should be noted between 1970 and 1979 the proportion of blue collar workers with a high school education rose from 20 to 42 percent and is still rising. This does not automatically place them in the middle class, but it suggests that this section of the “second society” may also be experiencing rising demands for better living standards.)

An eighth school argues that the earlier and present de-Stalinization debates are over the merits and abuses of only one man’s performance and, therefore, are necessarily limited, which the neo-Stalinists claim are unwarranted abuses. The present public and private arguments over the needs and problems engendered in *perestroika* and *glasnost* revert to the discussions of the mid-1920s over the merits of mixed and planned economies and how best to accelerate modernization. Although not negating the achievements of the intervening periods, the issues and ramification of the present experiments are closer to Leninism than to Stalinism. According to Professor John P. Roche, Marxism was primarily a corpus of ideas, but Lenin and his successors were forced to establish an “operational organizational” theory, which, according to Gorbachev, was warped by Brezhnev. Therefore, the present reforms must now be returned to the original Leninist values and aims (presumably those of the late Lenin in his compromise New Economic Program—NEP).

The ninth group suggests that for the first time since Peter the Great formulated the concept of *Abgrenzung*—“opening the window (not the door) to Europe”—that is, differentiation, or seeking Western technologies but

rejecting the values relevant to their development, the present reforms are being accompanied by greater Western influence than ever before. This new Western exposure has not produced the desired technologies in the required quantities but has permitted undesired Western tastes and values, and is already creating intense tensions between conservative right-wing elements and the new middle class, which have not left the “second society” untouched. The conservatives furiously insist that since only a tiny minority of the society experienced the Stalinist era and the hardships of World War II, westernization that encourages public broadcasts of rock music, the use of drugs and other degrading influences deprives the youth of a fuller and deeper knowledge of their glorious historical background. Yet the middle class virtually clamors for all things Western, including a more open right to criticize. Thus the rising uncertainties and social tensions will inevitably doom *glasnost*.

A tenth group of skeptics views the reforms as largely a theatrical show, pointing out that Gorbachev is an excellent actor, well received in the West as a sophisticated statesman, but that his actual power has been badly overrated in the West as explained by *Time* magazine naming him “Man of the Year.” The object of his act is to gain greater access to Western technology, trade advantages, and larger financial credits, in part to service the USSR’s Western debts and the costs of its empire (roughly \$38 billion). He will probably not achieve the full measure of his aims and needs, and as the reforms grind down he will forthrightly blame the West and seek endorsement of this charge from leftists worldwide.

Milovan Djilas, the Yugoslav author, argues that the Soviets have sufficient natural resources for the present leadership to succeed in the near term in increasing economic growth. He also suggests that the USSR has adequate specialists and engineers to maintain *perestroika* for several years, but then it will fail. He is implying, as the Soviets openly admit, that since tsarist times, the Russian Academy of Sciences has produced and still produces internationally renowned theoretical-oriented scientists; even now Westerners acknowledge that Moscow University’s department of abstract mathematics is among the world’s best if not the first-ranked (but it has produced fewer Nobel Prize winners in science than any other industrialized society). The problems are engineering interpolation and innovation, where the West excels. Djilas concludes that because of this seemingly unbridgeable gap and only limited exposure to Western technology, the USSR and Eastern Europe over the longer term are likely to experience the decline in the philosophy and practice of communism and the disintegration from within as witnessed in contemporary Yugoslavia.



Attempts to understand the concepts and ramifications of *perestroika* as prescribed in the New State Enterprise Law of 1 January 1988 must be perceived in the context of the previous 70 years of Soviet economic development. The USSR emerged from World War I and the ensuing civil war in utter devastation and reverted to a mixed economy (NEP) to recover some degree of economic order. Stalin re-Bolshevized the economy, which was based on state resource ownership and rigid centralized planning. During the 1930s and first two five-year plans, exceptionally high rates of industrial growth were achieved but at disproportionately high human costs. After recovering from World War II, the same methods and concepts for economic expansion were again implemented, which lead to growth rates in the 1960s that prompted prophecies even in some Western circles that the USSR would "overtake and surpass" the United States at least by the year 2000. But it has now fallen to third place behind Japan and, if present trends are not drastically reversed, it could decline to number four in GNP after "backward" China by the end of the century. The major weaknesses in the system have been in agriculture and technological innovation, in the dwindling capital accumulation, and labor mobilization. The resulting economic slow-down in the late 1970s led to severe questioning of the entire concepts of detailed centralized planning and state ownership.

*Perestroika* is an attempt to introduce several innovations. The first is financial autonomy (*khozraschet*), or self-financing as the Soviets prefer to interpret the concept. Profitability is theoretically to be the sole criteria for business success. This implies that managers, who are to be responsible to workers' self-management councils, will have a high degree of administrative autonomy in determining both commodity input and output factors, to determine the allocation of surplus profits and the relationship to productivity and bonuses. This decentralization poses many questions and much confusion. The authority of the central planning apparatus has not been weakened; its prerogatives now lie more in the area of providing strategic planning guidelines for the respective enterprises and branch ministries. Furthermore, plan fulfillment, based on prices fixed by state, remains a manager's highest priority, although after that he can negotiate bilaterally with other enterprises for sales at prices that fall within the State Pricing Commission's rough price parameters. Moreover, the roles of the local trade unions and workers' self-management councils, the authenticity of the avowed secret election and workers' authority over the administration, the efficiency and functions of the nascent wholesale enterprises, all remain to be seen in actual practice. Yet these are not entirely new or unexplored concepts in the USSR of Eastern Europe.

Gorbachev has introduced two major new innovations. First, the State Quality Acceptance Commission that supervises the standards of all input and output products. After experimenting in quality control in 1985 at 42 enterprises, *Pravda* published on 2 July 1986 the basic edict, "On measures to Fundamentally Improve Quality Output." Since January 1987, 1,500 committees have been formed at some individual plants and, according to *Pravda*, 29 December 1987, they had rejected 6 billion rubles worth of substandard goods. This has created widespread workers' disgruntlement, since they must work overtime or shift work to compensate for the shoddy products, thus forfeiting bonuses or other benefits. No goods or products can be sold without the Commission's seal of approval, despite the need for 25,000 additional inspectors to monitor all enterprises. The consequences have been unprecedented major strikes and other protests; in other cases managers have been fired by state authorities and some sentenced to prison for inadequate compliance. This is clearly a significant alteration in the work routines and a forceful attempt to engender greater labor discipline.

The second innovation is the introduction of individual entrepreneurship and state cooperatives. The 1 May 1987 Law on Private Enterprises allows individuals to provide the public with special goods and services at negotiated prices, but the incomes are taxable, or the licenses must be purchased from the state. This is an effort to legalize unlawfully earned incomes through the old practice of "moonlighting." By the end of 1987 there were 200,000 private licenses authorized, including 62 new exclusive restaurants in Moscow (operated by up to 25 people). Industrial cooperatives are allowed to produce finished goods for sale at commercial outlets. They often work at their respective plants on overtime, but such details as costs for machinery damage remain unresolved. In the agricultural sector, peasants may sell their produce at open market at free prices or at cooperatives, which buy at higher than fixed state prices. There presently are 8,000 cooperatives with a total of 80,000 workers in a country of 280 million—the bureaucracy remains a persistent obstacle.

Both changes are intended to improve the private producers income and the quality of goods and services available for consumers. These efforts approach Lenin's NEP in principle, but they are anathema to the growing body of vocal Stalinists, who insist on the purity of collectivization as the manifestation of a classless society and the attainment of socialism.

*Glasnost*, unlike *perestroika*, remains far less well defined, until perhaps the much debated New Press Law eventually surfaces. It is ambiguous and subject to differing interpretations by various political leaders, rival groups,

editors, and journalists. Since Lenin, public criticism in the form of letters to editors has always existed, varying only in frequency and intensity—but not the target. Historically, complaints have been directed at the bureaucracy, not the state, the system, or its leaders. Article 9 of the 1977 Soviet constitution states that “greater *glasnost*” is part of the basic direction of the development of the political system of Soviet society.

Khrushchev’s minimal cultural “thaw” of the late 1950s was halted by Brezhnev, then gradually regenerated, mainly because of the experiences of Hungary and Poland with greater liberalization in the arts, not by contacts with the West as such. Yet the impact of transcultural influence could not be totally ignored, for example, the gradual modernization of the repertory of the Bolshoi ballet.

Initially, Gorbachev used *glasnost* as a vehicle for criticizing the social and economic ills he had inherited. It was a means for telling the people what they needed to know in order to mobilize their support for his reforms and to provide journalists sufficient latitude to attack his opponents. But after the Twenty-Seventh Party Congress, it assumed a different dimension—he seemed to equate the process with greater “democracy.” As a demonstration of this new egalitarianism, all foreign currency *Berezka* shops would be closed and 40 percent of the vast fleets of official sedans would be sold as 1 July 1988. Greater public openness and candor were to generate increased self-awareness and labor discipline.

In general, Gorbachev has held to the position that the media should be permitted to expand public criticism of the system’s failures, greater coverage of natural disasters, self-criticism among responsible officials, specific charges against alleged corrupt authorities, and increased exposure to the West, especially the United States, via uncensored, open articles in press, television interviews, and “talk shows” by means of the “telebridge” between the two countries.

In actual practice, both the public and the media began to explore the outer limits of the new permissiveness. In the Soviet Union, that which is not explicitly prohibited *may* be possible and even allowed. The most vocal and probably the most successful of these newly emerging voices were the environmentalists. All East European governments were forced to establish environmental protection agencies, and finally on 16 January 1988 TASS announced a Politburo decision in response to these grievances. Instead of ecology being administered by nine state committees and seven ministries, which consistently sought to protect their respective resources, the decree established a union of informal ecological groups, allowing them to set up

their own publishing house under the overall rubric of the USSR State Committee for Environmental Protection.

Rival schools of historical thought soon emerged, most noticeably debating over the “blank spots” in Soviet history—the USSR’s glorious past, the importance of Stalin’s contributions, and the gravity of his errors. The moderation of Gorbachev’s 2 November 1987 speech at the 70th anniversary of the October Revolution on the role Stalin played in Soviet development suggests that a new era of self-censorship has been introduced. Indeed, both Ligachev and Gorbachev have lectured editors on the dangers of the 1980–1981 “Polish disease”—yet Nikolai Bukharin, a close Lenin associate but executed by Stalin, was rehabilitated in February 1988.

Thus taboos remain and are being reinforced, the parameters of *glasnost* are still ill-defined. There is East-West military asymmetries and capabilities are omitted; Soviet indebtedness to the West of over \$38 billion and the entire bloc’s loan of over \$138 billion are not generally known, nor is the impact these figures are having on the reductions of Soviet subsidies to its allies and clients. And the fact that energy, which produced 74 percent of the total Soviet exports to Western countries in 1987, categorized it as virtually a single source exporter, like most developing countries, is also ignored by the media. Thus such sensitive problems and issues remain “off-limits” for Soviet journalists.

*Glasnost* is understood and practiced in sharply different manners in Eastern Europe. Poland still has a vocal and influential but unofficial trade union. Solidarity has inspired privately operated clandestine radio broadcasts and what is now labeled the “Independent Press” (this is not to be confused with the underground *samizdat* publications), but actually consists of privately published newspapers, journals, and even books. This local initiative is partially stimulated by Poland’s unique exposure to the West—one-third of all Poles live abroad and have experienced and transmitted Western standards back to the homeland (Chicago is the second largest “Polish” city in the world and the dollar is Poland’s second currency).

*Glasnost* in the German Democratic Republic (GDR) has taken a dramatic turn. Since World War II, the East Germans could not deny their citizens access to Western broadcasts; now 80 to 90 percent of the population receive West German television. This exposure led to a surge of legal immigration applications in the early 1980s. Of the several hundred thousand, only a portion were granted; then the tap was returned to normal, that is, to the annual flow of roughly 1.3 million pensioners and 40,000 officials. Between 1985 and 1987, however, East Berlin made a sharp reversal by issuing normal tourist visas. In 1986 over 500,000 East German tourists visited the West and only 0.25 percent defected, because family members were retained

in the East. In 1988 a total of seven million legally crossed the border, and five million West Germans visited the GDR. This new phenomenon indicates the GDR's rising confidence about its own legitimacy, but also its sensitivity to growing public unrest. This manifestation of *glasnost*, however, does not parallel the Soviet model in many aspects. For example, no self-criticism appears in *Neues Deutschland*, the party's daily. Whereas *Pravda* repeatedly charges senior republic leaders by name for corruption and other abuses, no such denunciations occur in the East German media. Finally, since public gatherings are banned, Protestant churches have become focal points packed nightly by dissident human rights, peace, and environmentalist groups.

In Hungary, *glasnost* has still another dimension. Austrian television broadcast schedules are published in the daily press, and thousand of Hungarians see view such Hollywood series as *Dallas* in preference to East European or Soviet programs. Whereas travel restrictions are being relaxed in the USSR, GDR, Poland, and Czechoslovakia, these countries are years behind Hungary, where travel is based on commercial not political grounds. Under newly revised travel regulations, citizens can now apply for a "World Passport" without obtaining exit permits. Access to Vienna with its extensive international environment entails few restrictions. In this climate there have been virtually no defections. Furthermore, Hungary probably enjoys as open a degree of personal expression as Poland because of the large number of private bars, clubs, cabarets, and readily available Western press and journals.

The Czechoslovaks' understanding and application of *glasnost* is a unique mixture of their neighbors experimentation and their own previous experience. Many Czechs and Slovaks can receive West German and Austrian television. Yet they have shown little enthusiasm for such dissident groups as the Jazz Section of the Musicians Trade Union, whose leaders were imprisoned for 16 months for advocating greater exposure to Western culture or for the more celebrated Charter 77, which repeatedly publishes protests against the government's repressive policies. The failure of the media to generate significant endorsement for openness or a unique form of *glasnost* has permitted the government until late 1988 to largely ignore dissident elements as generally irrelevant in the formation of public opinion and policy. In the present mood the populace can best be described as maintaining a "holding position"—committed to the reforms but relatively inactive. This stalling attitude was particularly noticeable in the December 1987 transitions of party leadership from Gustav Husak to Michael Jakes, who is said to be known as "a man of all seasons—except spring."

The Balkan states, Bulgaria and Romania, are unique in their constrained

practice of *glasnost*. Bulgaria's historic dispute with Yugoslavia over Macedonia has restricted its exposure to the media and tourists from its more liberal neighbor. Internal criticism is permitted, but not against the leadership. In terms of *perestroika* and political reforms, Bulgaria has made more experiments, initiatives, and subsequent reversals than other East European countries. There are recurring examples that strongly suggest that Bulgaria serves as a testing ground for many of the Soviet reforms. But in the case of *glasnost*, Bulgaria does not follow this pattern.

Romania is the most obvious exception in the bloc's application of *glasnost*. Foreign media is prohibited and broadcasts are jammed. Even casual contact with foreigners is a punishable offense. Self-criticism is nonexistent. On the contrary, public aggrandizement of the Ceausescu clan has been accentuated, and was criticized by Gorbachev during his 1987 visit to Bucharest. Paradoxically, on 1 February 1988 spontaneous public demonstrations were held in Poland, Hungary, Czechoslovakia, and the Soviet Union to protest living conditions and government policies in Romania. Although they were not large scale, they were unprecedented manifestations of popular rejection of the image that Ceausescu's stance on reforms is projecting abroad about the progressive nature of socialism. They not only illustrate the bloc's diversity of opinion, but the extent of Romania's isolation.

In discussing the nature of the present Socialist reforms and the various countries' reactions to them, Hannes Adomeit, a West German scholar, has observed that industrial society requires increasing specialization and diversification, which creates a dynamic of its own that can neither be anticipated in detail or controlled from above. To use terror or administrative measures in such circumstances would be counterproductive. It is the purpose of this book to examine the nature of the Gorbachevian reforms, the difficulties associated in their application, the antecedents in East European experiments in modifying the Soviet model of socialism, and their present responses to Gorbachev's admonitions and policies. Because of length restrictions, reforms in such important areas as human rights, Socialist justice, legal procedures, trade union reorganization, election practices, and nationalities questions are necessarily omitted. CMEA and intrabloc trade and the impact of reforms on international communism are also not considered.

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# Chapter 1

## Political Restructuring

### SOVIET REFORMS AND EAST EUROPEAN INTERACTIONS

Professor Seweryn Bialer of Columbia University claims that General Secretary Mikhail Gorbachev's candid speeches about the decline of the Soviet economy are as critical on economic matters as Khrushchev's "secret" speech on political issues.<sup>1</sup> He concluded that the task of altering the Soviet society enough to achieve the prescribed goals will be "titanic."<sup>2</sup> The general secretary has repeatedly acknowledged how far the Soviet society has drifted from the Leninist ideals into economic stagnation, mental indifference, and moral decadence. In a speech in Khabarovsk after being in office just over a year, he stated that *perestroika* and *glasnost* embrace not only the economy, but all other facets of public life: social relations, the political system, the spiritual and ideological spheres, and the style and methods of the whole party and all its cadre. "Restructuring" is capricious, he said; it should be equated with the word "revolution."<sup>3</sup> At the 27th Congress of the Communist party of the Soviet Union (CPSU) in February 1986, Gorbachev reiterated the by then conventional admonitions to innovate reforms, exercise democracy, and revitalize the party and the society from top to bottom.<sup>4</sup> But he left unanswered the critical question that is now being increasingly raised: when must "restructuring" and reforming become "revolutionary"? This gap was rhetorically closed by his harsh criticism of the party for permitting stagnation, corruption, and social indifference; for its loss of its former revolutionary spirit. But he insisted that it could not look to the past for adequate solutions. This is a different time, with different demands that require different solutions.<sup>5</sup>

He was referring to the Khrushchevian reforms of 1962–1964, which were the quintessence of the Leninist objectives at the time and were only mod-