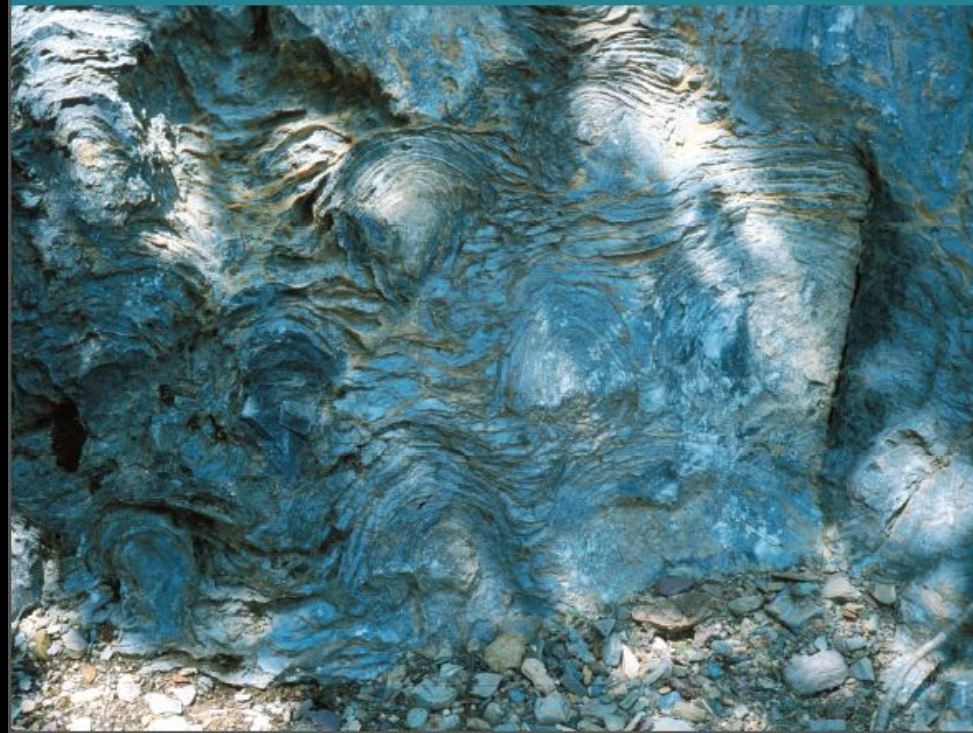


Chapter 9: The Politics of Communist Economic Reform: Soviet Union and China

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The Emergence of Organizations and Markets



Co-evolution

- Padgett/Powell's *Emergence of Organizations and Markets* makes general argument that
 - evolutionary novelty in organizations comes from spillover and rewiring across multiple social networks
- In Soviet Union and China, that means:
 - politics induced by economic reform, and
 - economics induced by political reform

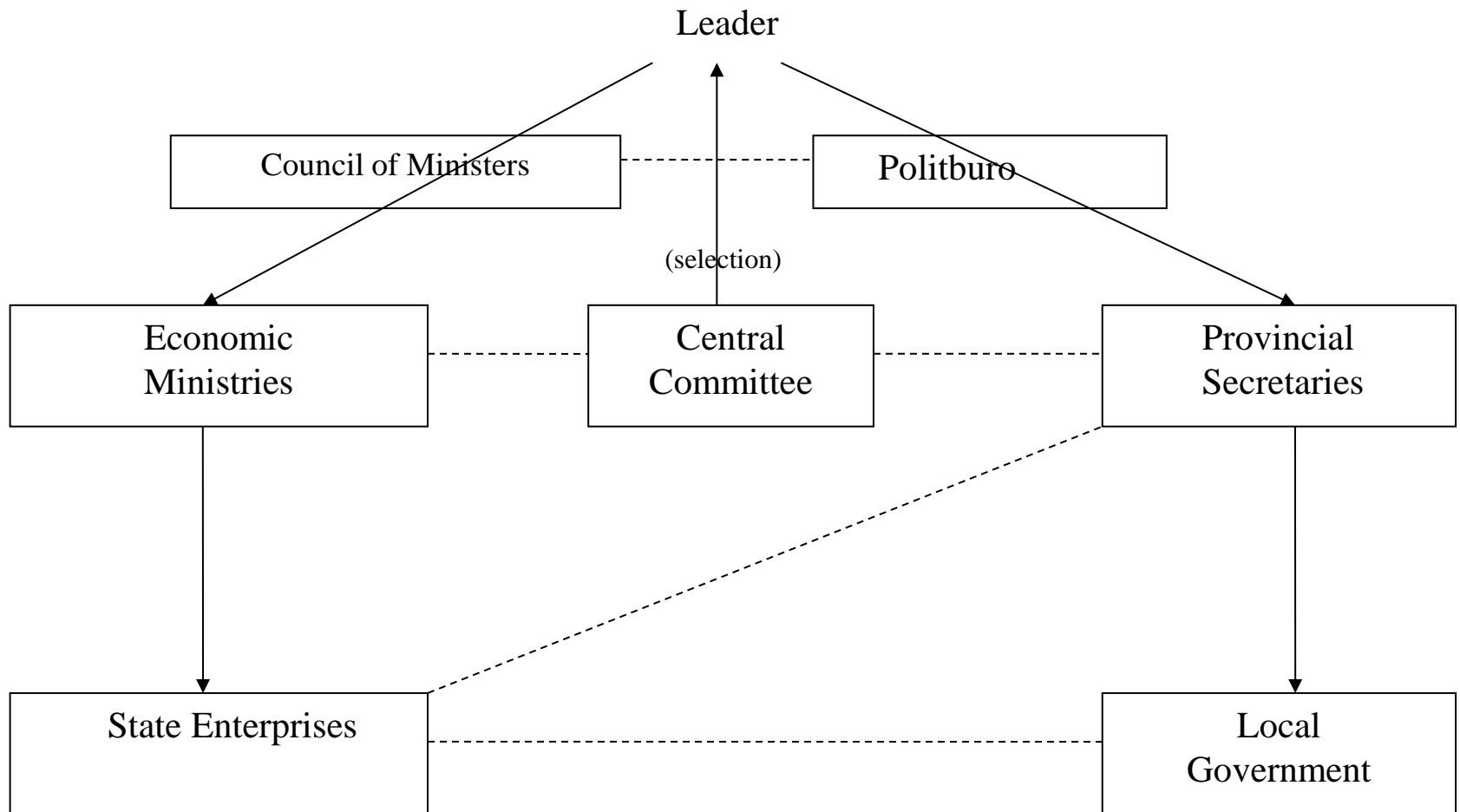
Emergence of Organizations and Actors

- P/P mantra:
In the short run, actors make relations.
But in the long run, relations make actors.
- In Soviet Union and China, that means:
 - Over time, reforms induce interests and informal social networks that feedback to reshape both reforms and the leaders who made them.

Communist Dual Hierarchy

Economic pillar:

Political pillar:



Reform trajectories

Dual hierarchy presented only four potential political constituencies to reform-minded CP leaders. Thus, only four viable trajectories of internal evolution:

1. Through top of Economy
 - economic ministries
2. Through bottom of Economy
 - factory directors
3. Through top of Party
 - party secretaries
4. Through bottom of Party
 - local cadres

Reform trajectories

(historical examples of the four types)

1. Through top of Economy:

- Stalin's WWII mobilization:
central command economy
- Brezhnev's scientific tinkering
- Andropov's KGB discipline

2. Through bottom of Economy:

- Kádár's Hungarian socialism
- Kosygin's failed attempt at economic liberalization
- Gorbachev's Law on State Enterprises (*Perestroika*)

Reform trajectories

(historical examples of the four types)

3. Through top of Party:

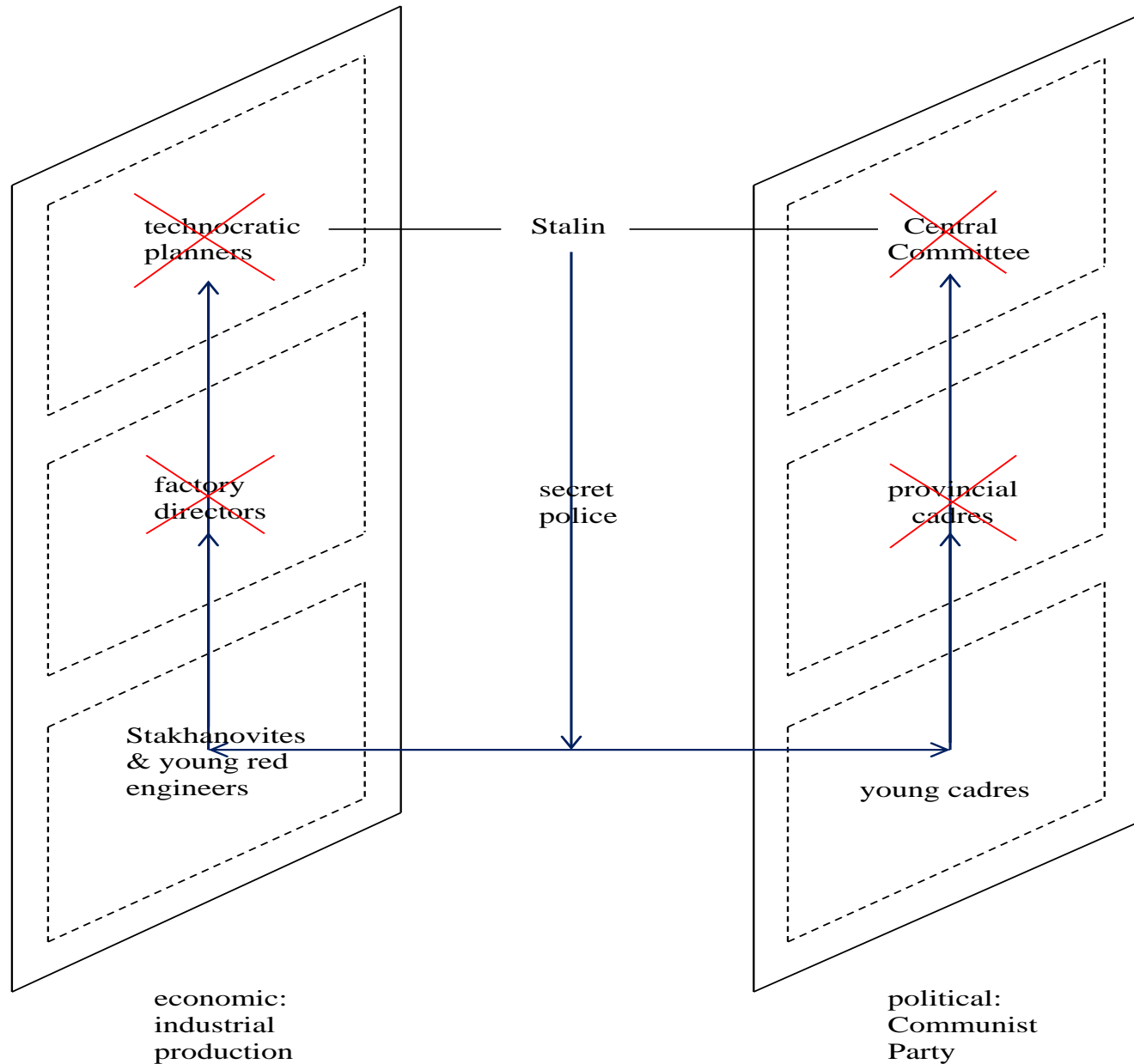
- Stalin's First Five-Year Plan
- Mao's Great Leap Forward
- Deng's market liberalization ("robust action")

4. Through bottom of Party: "purge and mass mobilization"

- Stalin's Great Terror
- Mao's Cultural Revolution
- Gorbachev's "Democracy" (escalation of *glasnost*)

Figure 1.7a. Soviet Central Command Economy: Genesis

Purge and Mass Mobilization: THE GREAT TERROR of 1937-38



WWII autocatalysis

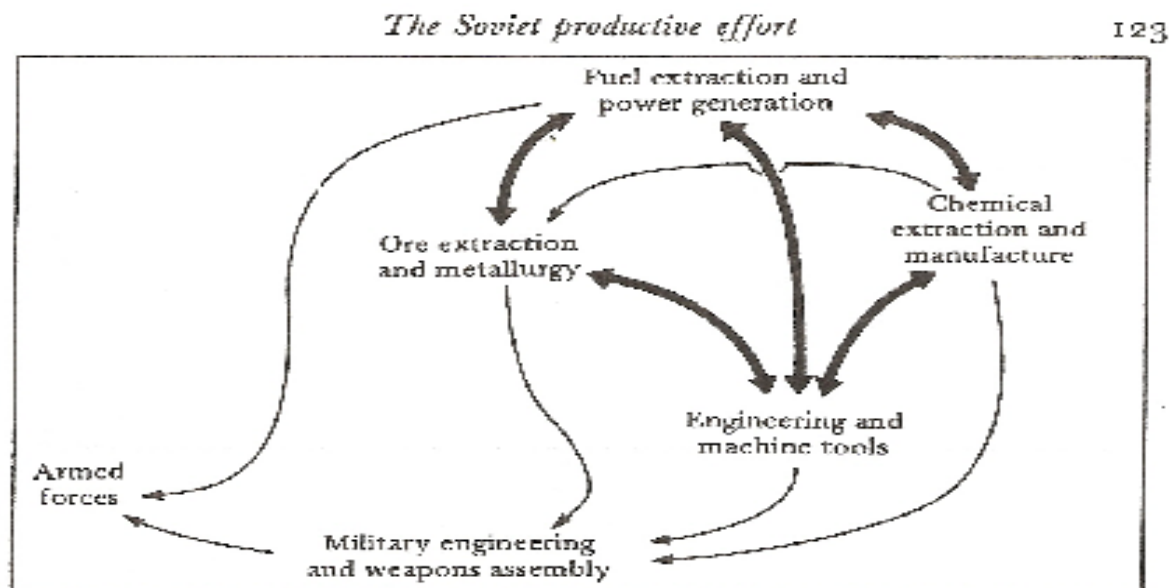


Figure 5. Input-output interaction of the arms industry and heavy industry

Key: A thin arrow pointing in a single direction \longrightarrow indicates a one-way flow of products from supplier to user. A broad arrow pointing in both directions \longleftrightarrow indicates a two-way product flow with each sector consuming part of the other's output.

Notes: In order to read the diagram, start on the left-hand side with the armed forces and follow each product flow backwards to its source. Two sectors – the transport and construction industries – are not represented explicitly but are implicitly present. Each arrow represents spatial flows requiring transport services for their realisation; to deliver its services the transport industry requires inputs of machinery and fuel. Moreover each of the supplying sectors in the diagram requires receipt of built capacity from the construction industry before it can use current inputs or supply outputs.

China

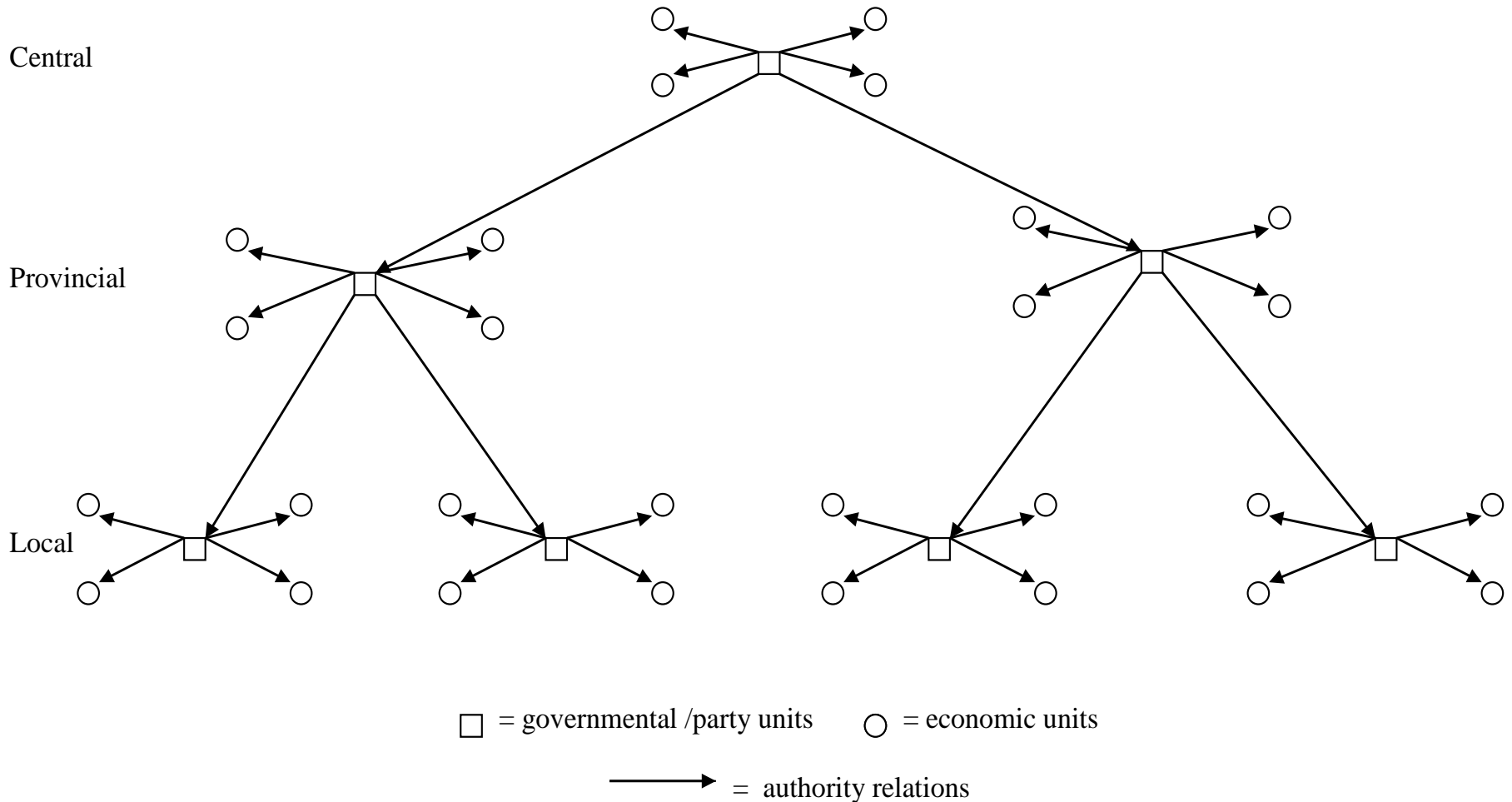
Mao's Great Leap like Stalin's First Five-Year Plan

- except agricultural, and
- decentralized (Khrushchev's *sovnarhkozy*)

Mao's Cultural Revolution like Stalin's Great Terror

- Red Guards \approx Stakhanovites
- PLA \approx secret police
- but PLA + Red Guards don't connect as well
as secret police + Stakhanovites

Chinese economic enterprises after Great Leap

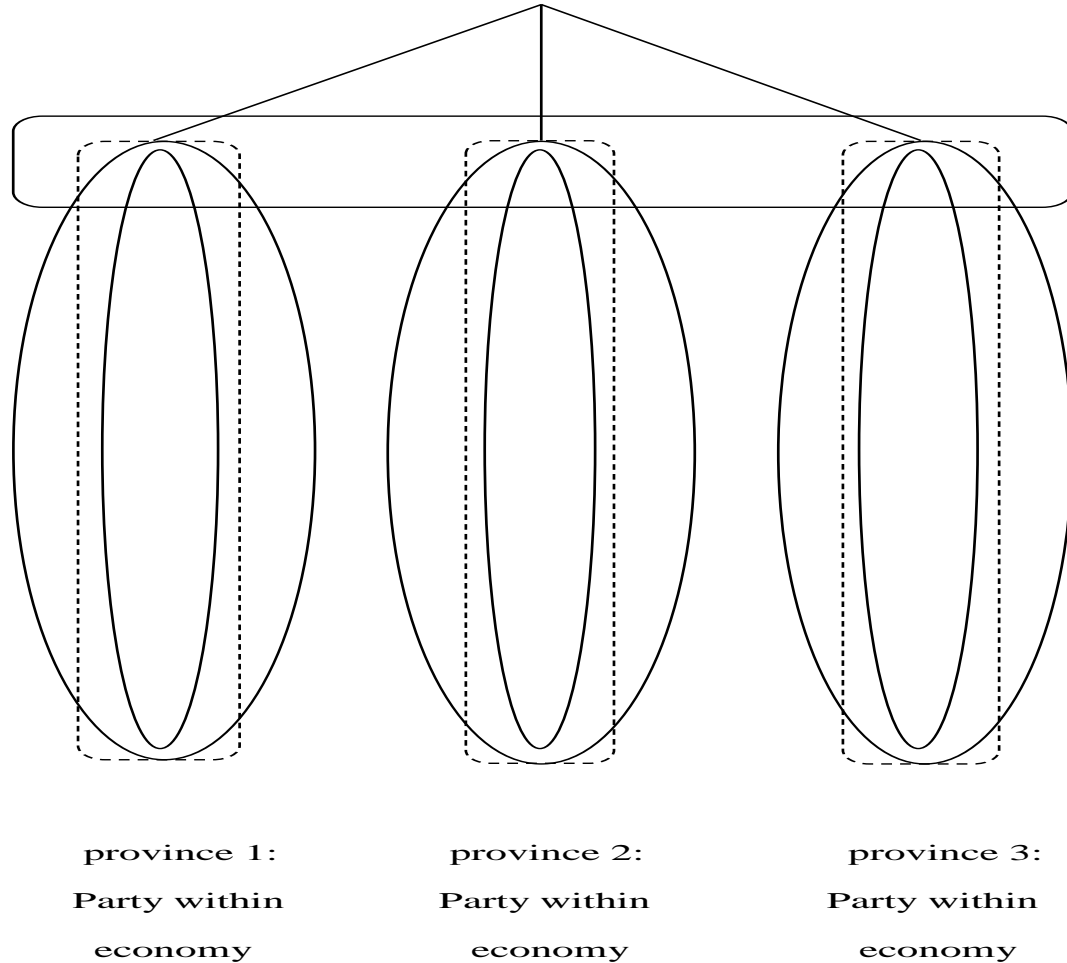


which leads to vertical factions

Chairman

Central committee

factions



Deng Xiaoping

Mao made accessible what Deng achieved:

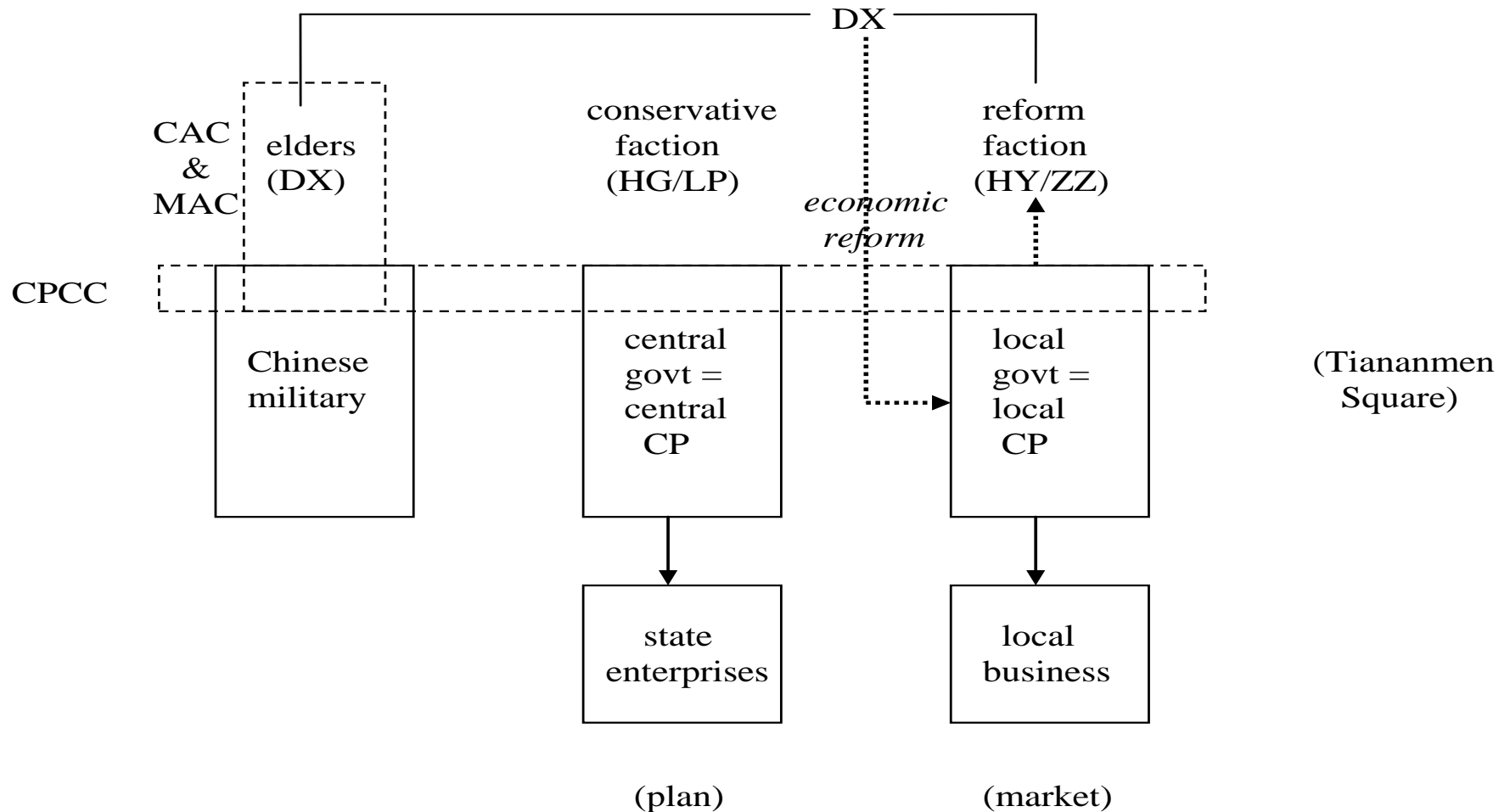
- administrative decentralization
- personal vertical factions
- Cultural Revolution acted as “creative destruction”
- Gorbachev had none of this to work with

Deng’s “market reforms” really communist strategy #2:

- “play to provinces”
- But addition of (post-Cultural Revolution) PLA
- equaled “robust action”

Deng's Robust Action

Figure 4. Deng Xiaoping's economic reform and political transition:



Chinese Markets from robust action

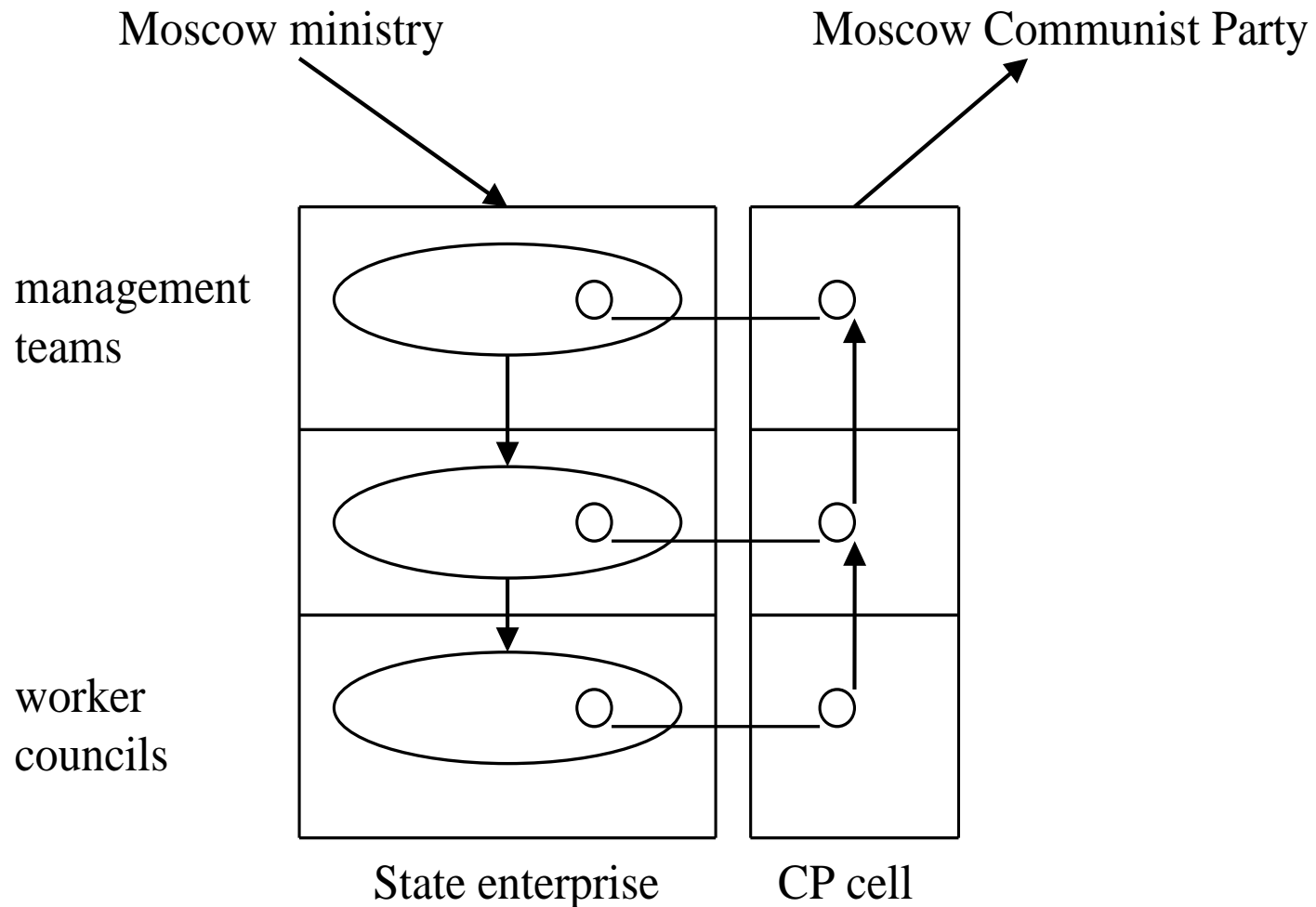
- residues from Mao:
 - vertical political factions, non-red PLA,
& regional economic autarchy
- mobilized into “markets” in economics through
clientage in political factions:
- local government as entrepreneur (no pvt. property)
 - household responsibility
 - local light industry
 - provincial finance
- macro policy oscillation during Deng’s reign
 - like chemical annealing

Gorbachev

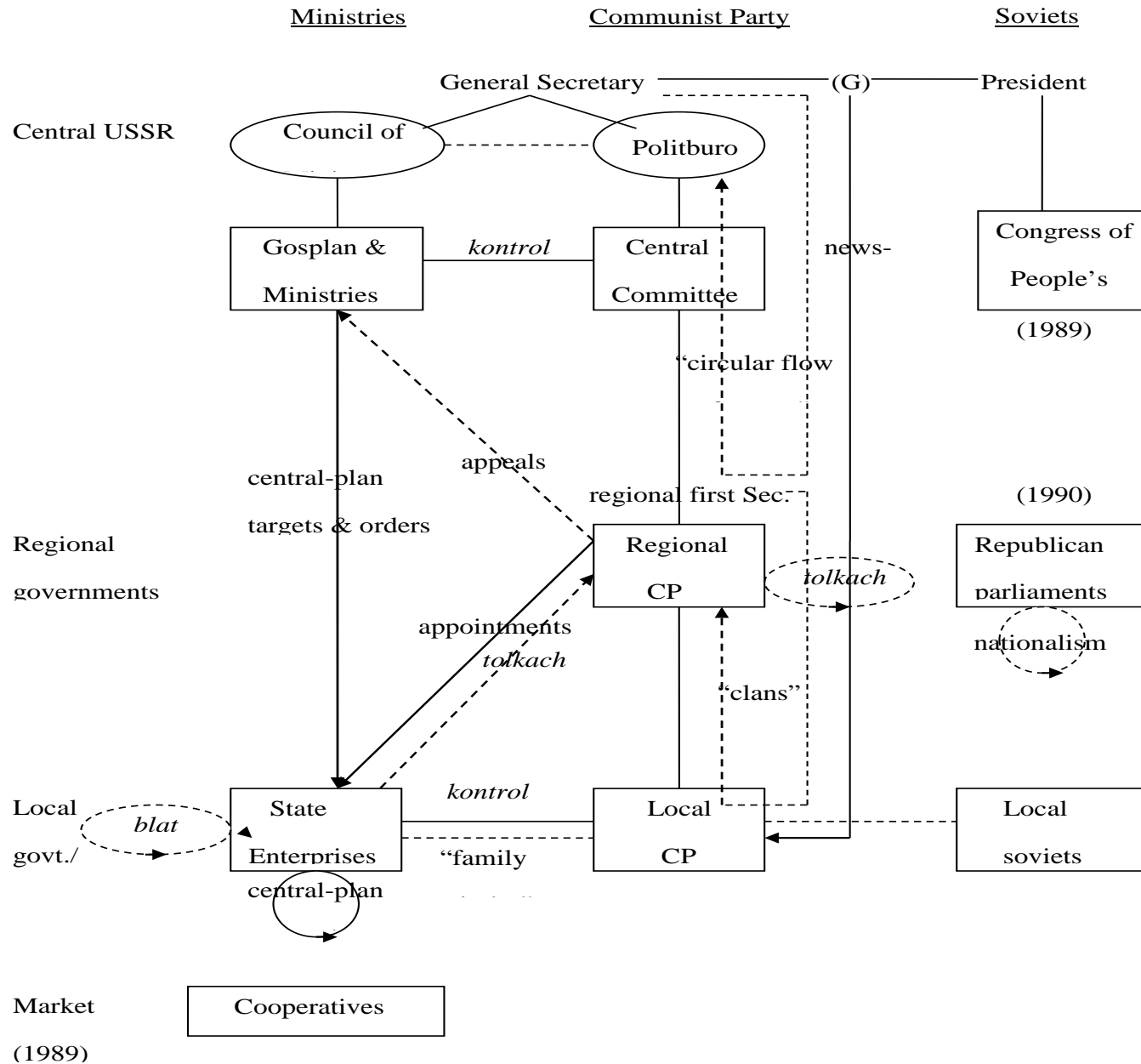
on other hand, rapidly escalated from constituency-trajectory #1 to #4:

1. Through top of Economy (KGB)
 - Andropov-style discipline
2. Through bottom of Economy
 - Hungarian market socialism
4. Through bottom of Party
 - Glasnost & soviets (within CP)
 - which eventually spun out to
Democracy (outside CP)

Gorbachev's core problem same as Stalin's: Family circles



Soviet Dual Hierarchy, without and with Gorbachev's extension to soviets



In Soviet Union, formal centralization induced **horizontal** informal alliance networks to circumvent it.

In China, formal decentralization (*sovnarhkozy*) induced **vertical** informal alliance networks to circumvent it.

Except within Kremlin, Gorbachev thus had no personal patron-client network with which to break through autocatalytic layers of Soviet family circles.

Leaving him only nuclear option #4:

“purge and mass mobilization”

-- in name of “democracy”

-- Gorbachev pushed to become a failed Stalin

Conclusion

- Large-scale transitions never evolve by design
 - tumultuous system tippings beyond anyone's control
 - instead large-scale transitions are re-wirings of path-dependent pieces into finite accessible trajectories
- In cases of Soviet Union & China,
 - Mao made accessible what Deng achieved
 - Stalin structured not only what Gorbachev fought against, but also Gorbachev himself