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# Power, Globalization, and the End of the Cold War

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Reevaluating a Landmark Case for Ideas

The end of the Cold War has become a case study of major importance for scholars of international relations for numerous reasons. Not least among these is that it helped spark a renaissance in the study of ideas in the field and contributed to the rise of constructivism as a major theoretical school in the 1990s.<sup>1</sup> It has also proven to be a rich case for developing new arguments inspired by constructivist thinking, as well as for extending standard models drawn from cognitive or social psychology and organization theory concerning how ideas shape strategic behavior. The result of this scholarly effort is a rich and diverse literature that advances numerous models of how norms, culture, identity, trust, persuasion, learning, demonstration effects, transnational conceptual flows, intellectual entrepreneurship, socialization, and many other ideational processes influenced the dramatic ending of the superpower rivalry. Indeed, it is difficult to identify another case that has generated as large and varied a literature devoted to exploring how ideas influence international relations.<sup>2</sup>

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1. As Alexander Wendt notes, "The revival of constructivist thinking about international politics was accelerated by the end of the Cold War. . . . Mainstream IR theory simply had difficulty explaining the end of the Cold War, or systemic change more generally. It seemed to many that these difficulties stemmed from IR's materialist and individualist orientation, such that a more ideational and holistic view of international politics might do better." Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999), p. 4. See also, for example, Peter J. Katzenstein, Robert O. Keohane, and Stephen D. Krasner, "International Organization at Its Golden Anniversary," *International Organization*, Vol. 52, No. 4 (Autumn 1998), p. 670; and Katzenstein, "Introduction: Alternative Perspectives on National Security," in Katzenstein, ed., *The Culture of National Security* (New York: Columbia University Press, 1996), p. 2.

2. Examples of this growing literature include Andrew Bennett, *Condemned to Repetition?: The Rise, Fall, and Reprise of Soviet-Russian Military Interventionism, 1973–1996* (Cambridge, Mass.: MIT Press,

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The issue is no longer whether but rather how and how much ideas matter under different conditions—and how best to model their influence on strategic behavior. The problem is that ideational models depend on an implicit or explicit contrast to explanations rooted in changing material incentives. How and how much ideas matter naturally depend on how and how much material incentives matter. In the case of the Cold War's end, the objective of a more sophisticated approach to the study of ideas is currently hampered less by the quantity of plausible models than by deficiencies in our understanding of the material incentives facing decisionmakers. Despite the fact that Soviet economic decline is often seen as a key reason why the Cold War ended, there are relatively few studies in the international relations literature that specify rigorously how constrained the Soviet Union was economically, and exactly how those constraints influenced strategic choices. The result is a striking asymmetry: dozens of complex models on ideational influences arrayed against a few bare-bones accounts that examine the economic or other material incentives confronting the Soviet Union. And the few accounts that highlight

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1999); Jeffrey T. Checkel, *Ideas and International Political Change* (New Haven, Conn.: Yale University Press, 1997); Robert D. English, *Russia and the Idea of the West: Gorbachev, Intellectuals, and the End of the Cold War* (New York: Columbia University Press, 2000); Matthew Evangelista, *Unarmed Forces: The Transnational Movement to End the Cold War* (Ithaca, N.Y.: Cornell University Press, 1999); Thomas Forsberg, "Power, Interests, and Trust: Explaining Gorbachev's Choices at the End of the Cold War," *Review of International Studies*, Vol. 25, No. 4 (October 2000), pp. 603–621; Robert G. Herman, "Identity, Norms, and National Security: The Soviet Foreign Policy Revolution and the End of the Cold War," in Katzenstein, *The Culture of National Security*, pp. 271–316; Edward A. Kolodziej, "Order, Welfare, and Legitimacy: A Systemic Explanation for the Soviet Collapse and the End of the Cold War," *International Politics*, Vol. 34, No. 2 (June 1997), pp. 111–151; Rey Koslowski and Friedrich Kratochwil, "Understanding Change in International Politics: The Soviet Empire's Demise and the International System," in Richard Ned Lebow and Thomas Risse-Kappen, eds., *International Relations Theory and the End of the Cold War* (New York: Columbia University Press, 1995), pp. 127–166; Deborah Welch Larson, *Anatomy of Mistrust: U.S.-Soviet Relations during the Cold War* (Ithaca, N.Y.: Cornell University Press, 1997); Lebow, "The Search for Accommodation: Gorbachev in Comparative Perspective," in Lebow and Risse-Kappen, *International Relations Theory and the End of the Cold War*, pp. 167–186; Lebow and Janice Gross Stein, *We All Lost the Cold War* (Princeton, N.J.: Princeton University Press, 1994); Jacques Lévesque, *The Enigma of 1989: The USSR and the Liberation of Eastern Europe* (Berkeley: University of California Press, 1997); Sarah E. Mendelson, *Changing Course: Ideas, Politics, and the Soviet Withdrawal from Afghanistan* (Princeton, N.J.: Princeton University Press, 1998); John E. Mueller, *Quiet Cataclysm: Reflections on the Recent Transformation of World Politics* (New York: HarperCollins, 1995); Thomas Risse, "'Let's Argue!' Communicative Action in World Politics," *International Organization*, Vol. 54, No. 1 (Winter 2000), pp. 1–40; Thomas Risse-Kappen, "Ideas Do Not Float Freely: Transnational Coalitions, Domestic Structures, and the End of the Cold War," in Lebow and Risse-Kappen, *International Relations Theory and the End of the Cold War*, pp. 187–222; Janice Gross Stein, "Political Learning by Doing: Gorbachev as Uncommitted Thinker and Motivated Learner," in *ibid.*, pp. 223–258; and Gerard Snel, "'A (More) Defense Strategy': The Reconceptualisation of Soviet Conventional Strategy in the 1980s," *Europe-Asia Studies*, Vol. 50, No. 2 (March 1998), pp. 205–239.

material incentives are not as helpful for evaluating the effect of ideas as they might be because they either include both ideational and material shifts without trying to establish their interaction, or they fail to compare their analyses in any detail to explanations based on ideas.<sup>3</sup> The result is a proliferation of plausible models and hypotheses but comparatively few truly probative empirical tests.<sup>4</sup>

In this article we provide a more complete understanding of the material pressures facing Soviet policymakers in the 1980s. We bring three new sources of evidence to bear. First, we broaden the analysis of material incentives. Scholars on all sides in the international relations literature on the end of the Cold War typically treat the balance of capabilities as the only material change that needs to be taken into account. We bring a new factor into the discussion: the changing structure of global production. Thus far, scholars of international security, in general, and students of the Cold War's end, in particular, have largely ignored this critical shift in the material environment. Introducing the structure of global production not only changes how we comprehend the end of the Cold War but has important implications for understanding the role of material incentives in international relations more generally.

Second, we explore how Soviet relative decline affected the course of the Cold War in its final years. In recent years, new primary and secondary sources have become available that dramatically alter our earlier understanding of the material pressures on Soviet policymakers in the 1980s and the ways in which those pressures influenced decisions. We supply a fuller picture of the exact extent of Soviet relative decline, analyze how Moscow's experience of decline compares with that of other modern great powers, and draw on the most recent evidence concerning how perceptions of decline, new ideas, and new foreign policies were related.

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3. See, for example, Kenneth A. Oye, "Explaining the End of the Cold War: Morphological and Behavioral Adaptations to the Nuclear Peace?" in Lebow and Risse-Kappen, *International Relations Theory and the End of the Cold War*, pp. 57–84; Daniel Deudney and G. John Ikenberry, "The International Sources of Soviet Change," *International Security*, Vol. 16, No. 3 (Winter 1991/92), pp. 74–118; William C. Wohlforth, "Realism and the End of the Cold War," *International Security*, Vol. 19, No. 3 (Winter 1994/95), pp. 91–129; Randall L. Schweller and William C. Wohlforth, "Power Test: Updating Realism in Response to the End of the Cold War," *Security Studies*, Vol. 9, No. 2 (Winter 2000), pp. 60–108; and Dale Copeland, "Trade Expectations and the Outbreak of Peace: Détente, 1970–74, and the End of the Cold War, 1985–1991," *Security Studies*, Vol. 9, Nos. 1/2 (Autumn 1999–Winter 2000), pp. 15–59.

4. On this point, see William C. Wohlforth, "Reality Check: Revising Theories of International Politics in Response to the End of the Cold War," *World Politics*, Vol. 50, No. 4 (July 1998), pp. 650–680.

Third, we explore evidence on the role and attitudes of conservative or hard-line Soviet officials, most of which has only recently become available. The dearth of evidence concerning such “old thinkers” has severely limited our understanding of the end of the Cold War. Examining old thinkers is especially important because they were exposed to the increasing material pressures confronting the Soviet Union in the 1980s, but were insulated from or resistant to ideational sources of change.

A major dividend of this analysis is a more accurate portrayal of the material setting of the Cold War’s end, and thus a better understanding of the seminal event that ushered in the current international era. At the same time, this analysis provides a better grasp of how material incentives present in this case relate to, and interact with, the ideational factors featured in the literature. Our general finding is that the material pressures on Soviet foreign policy during the 1980s were much more marked than earlier analyses have assumed. Moreover, the evidence indicates that many of the causal mechanisms in ideational models of this case are endogenous to these changing material incentives; that is, their effects are largely a reflection of a changing material environment.

Beyond moving us toward a better understanding of this case, we also derive two general theoretical implications. First, our study indicates that it is now critical for scholars who focus on the causal role of ideas to pay much more attention to the issue of endogeneity. Second, our analysis suggests, contrary to the conventional wisdom, that changes in the material environment may sometimes help explain how alterations in states’ fundamental goals or “identities” occur.

We proceed in four sections. We begin by specifying our treatment of the case and its relation to ongoing theoretical controversies. In the second section, we provide new evidence and analysis of the effects of Soviet relative decline on Moscow’s decision to retrench internationally in the 1980s. The third section establishes how changes in the structure of global production shifted the underlying terms of the Cold War rivalry and generated incentives for a Soviet policy of retrenchment and engagement with the West. In the fourth section, we bring these two material pressures together in the context of examining recent evidence on Soviet old thinkers. In the conclusion, we sum up the results of our analysis and outline the repercussions for future research.

### *The Cold War’s End as a Case Study*

International relations scholarship on the end of the Cold War has been hamstrung by lack of evidence as well as by poor specification of the relationship

between case and theory.<sup>5</sup> In this section, we clarify our treatment of the case. We then turn to an examination of the evidence.

#### THE IDEATIONAL MODELS

Dozens of scholars—some explicitly inspired by constructivism, others following psychological, institutional, or organizational approaches—have proposed numerous pathways through which various kinds of ideas affected the course of events. These models identify both a process by which ideas are generated and transmitted to decisionmakers and a causal mechanism through which ideas affect choices.

Concerning the origins and transmission of ideas, two generic processes do most of the work. The first is intellectual entrepreneurship. A crisis creates a window of opportunity by discrediting old policies and the ideas associated with them. Idea entrepreneurs then fill the gap by showing how novel ideas resolve strategic dilemmas. These entrepreneurs may be intellectuals in the various bureaucracies who feed their ideas to leaders eager for new concepts, as many scholars argue was the case in the Soviet Union in the mid-1980s.<sup>6</sup> Or the true intellectual entrepreneurs may be the top leaders themselves, as many other scholars contend was the case with Mikhail Gorbachev and the end of the Cold War.<sup>7</sup> Either way, these scholars maintain that although the crisis that opens the policy window may be a necessary condition of change, the response is a creative, fundamentally intellectual act that switches history onto new rails and whose explanation requires specific models. Many accounts add an important transnational element to the entrepreneurship process. Here, the origins of the ideas lie in substate intellectual communities that transmit new concepts across national borders.<sup>8</sup>

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5. Part of the problem may be that much of the debate has concerned “grand theory,” while the empirical work on the case concerns “middle-range” theories. In keeping with this diagnosis, our focus is on middle-range theory. For further discussion, see *ibid.*

6. See, for example, Checkel, *Ideas and International Political Change*; Mendelson, *Changing Course*; English, *Russia and the Idea of the West*; and Herman, “Identity, Norms, and National Security.”

7. See, for example, Larson, *Anatomy of Mistrust*, chap. 6; George Breslauer and Richard Ned Lebow, “Contingency and Counterfactuals: How Leaders Matter,” draft chapter in Richard Herrmann and Lebow, eds., *Learning from the Cold War*, book manuscript in progress; Alexander Wendt, “Anarchy Is What States Make of It: The Social Construction of Power Politics,” *International Organization*, Vol. 46, No. 2 (Summer 1992), pp. 419–422; and Koslowski and Kratochwil, “Understanding Change in International Politics,” pp. 233–241. See also Archie Brown, *The Gorbachev Factor* (New York: Oxford University Press, 1996).

8. See, for example, Evangelista, *Unarmed Forces*; Risse-Kappen, “Ideas Do Not Float Freely”; and Jeffrey W. Knopf, “Domestic-International Interaction in the INF Talks,” *International Organization*, Vol. 47, No. 4 (Autumn 1993), pp. 599–628.

The second generic process is learning. Actors alter their cognitive structures in response to experience. They may change their strategies, their beliefs about how the world works, or even their most basic preferences or identities. The actors concerned may be individual leaders, institutions, elites, or states. Some scholars employ cognitive theory to explain why actors draw particular lessons from their experiences.<sup>9</sup> For others, especially those inspired by constructivist thinking, the learning process takes a more social form, where the emphasis is less on lessons drawn from specific events than on elite socialization to new norms or other cultural, social, or intellectual changes in international society.<sup>10</sup>

The mechanisms by which ideas affect choices also take two basic forms. Many scholars argue that ideas reduce the uncertainty inherent in any strategic situation by providing new "road maps," which in turn lead to new policy initiatives. In this vein, some scholars argue that new ideas led to a different framing of the Soviets' security problem, thereby suggesting different policy responses; others maintain that new causal beliefs about how the world works affected Soviet cost-benefit calculations and helped generate new policies.<sup>11</sup> A second group of scholars highlight deeper changes in underlying preferences or identities that, they argue, have even more profound effects. Constructivists, in particular, argue that changes in the Soviet leadership's or elite's basic identity led to a reorientation of the country's most fundamental interest from opposing and competing with the liberal West to becoming a part of it.<sup>12</sup>

#### MATERIAL INCENTIVES AND THEIR RELATION TO IDEATIONAL MODELS

We make two basic points regarding this literature. First, these ideational models are crucially dependent on a careful specification of the material incentives facing Soviet decisionmakers. Second, scholars in this literature routinely

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9. See, for example, Stein, "Political Learning by Doing"; Bennett, *Condemned to Repetition?*; and Lebow, "The Search for Accommodation."

10. See, for example, Herman, "Identity, Norms, and National Security"; Kolodziej, "Order, Welfare, and Legitimacy"; and Koslowski and Kratochwil, "Understanding Change in International Politics."

11. See, for example, Bennett, *Condemned to Repetition?*; Evangelista, *Unarmed Forces*; Checkel, *Ideas and International Political Change*; Mendelson, *Changing Course*; and Lévesque, *Enigma of 1989*. On ideas as road maps, see Judith Goldstein and Robert O. Keohane, "Ideas and Foreign Policy: An Analytical Framework," in Goldstein and Keohane, eds., *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change* (Ithaca, N.Y.: Cornell University Press, 1993).

12. See, for example, Herman, "Identity, Norms, and National Security"; Forsberg, "Power, Interests, and Trust"; Koslowski and Kratochwil, "Understanding Change in International Politics"; Wendt, "Anarchy Is What States Make of It"; and English, *Russia and the Idea of the West*.



counterpose their arguments against a spare and impoverished understanding of material incentives. As a result, it is impossible to refine or accurately evaluate these basic ideational models, thereby limiting our understanding of these factors and of the end of the Cold War more generally.

As scholars who use the entrepreneurship model recognize, the “crisis” that opened up policy windows for Soviet intellectual entrepreneurs was in important respects a result of Soviet economic decline.<sup>13</sup> Critical to constructing and assessing their various models of ideas and international change is therefore a careful assessment of exactly *how* constraining the Soviet Union’s economic problems were. The more economic constraints pointed to specific policy responses, the less the need for a particular entrepreneur to devise a novel solution to the problem and, in turn, the less likely any given entrepreneur’s solution would differ greatly in practice from another’s. The same goes for learning models. Actors learn in part by interacting with their material environment. The importance of cognitive processes in promoting learning hinges on precisely how constraining this environment is.<sup>14</sup>

The point of departure of all recent work on ideas and international security is that material incentives are never determinate; there is always some uncertainty that ideas help resolve. We do not question that essential proposition; ideas and material incentives clearly work together in complex ways, and their interaction varies across cases. Our response is simply that it is important to specify how much uncertainty characterizes various strategic situations in order to further empirical analysis and theory development. Ultimately, each of the basic causal mechanisms by which ideas shape choice hinges on some estimate of the uncertainty facing decisionmakers *given* material incentives. To model the ways in which new ideas shape behavior, it is therefore crucial to have some working estimate of how much room for debate over choices the material setting creates. Given that social science still lacks an adequate general language for discussing levels of uncertainty, we must frame the assessment of uncertainty in the terms of a given case. This is the task we perform with respect to the end of the Cold War.

All ideational models of the end of the Cold War stand in contrast to an alternative baseline hypothesis: that the Soviets reoriented their foreign policy in

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13. See, for example, Mendelson, *Changing Course*, chap. 1; and Checkel, *Ideas and International Political Change*, chap. 1.

14. As Andrew Bennett notes, “Learning theory is itself indeterminate unless it takes many material and political factors into account.” Bennett, *Condemned to Repetition?* p. 7.



large part in response to changing material incentives.<sup>15</sup> This brings up our second major point concerning the ideas literature: It does not adequately confront the evidence supporting this basic hypothesis. Ideational explanations of the Cold War's end instead are contrasted to an impoverished understanding of the material pressures confronting the Soviet Union. There are two basic reasons for this, neither of which lies with the scholars responsible for the renaissance of ideas in international relations.

The first reason is empirical: Much of the relevant evidence on how changing material incentives influenced the reorientation of Soviet foreign policy either has been lacking or is not easily accessible to international relations scholars. The second reason is theoretical. Scholars in this literature routinely use Kenneth Waltz's neorealist framework as the theoretical foil for their analyses, because neorealism is typically seen as providing the definitive theoretical word on material incentives in the international environment.<sup>16</sup> Neorealism does not have a monopoly on thinking about these factors, however; the standard neorealist understanding of material incentives is actually far too narrow to provide a productive backdrop for developing and evaluating models of how ideas affect strategic behavior.<sup>17</sup> In particular, to fully explore the potential of such models, it is necessary to move beyond a restrictive focus on the balance of capabilities. It is also important to move beyond the standard neorealist conception of state preferences in which security trumps all other priorities, including economic capacity.<sup>18</sup> Indeed, in situations such as that faced by the Soviet Union in the 1980s, it may make little sense to draw distinctions between economic capacity and security as state objectives, because as we show, Moscow's changing material fortunes undermined both goals simultaneously.<sup>19</sup>

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15. The contrast with this material hypothesis is most clear for *causal* ideational analyses, which comprise the overwhelming preponderance of empirical work in the end of Cold War literature. To a lesser degree, this is also true for examinations of this case that highlight the *constitutive* role of ideas. On this distinction, see Alexander Wendt, "On Constitution and Causation in International Relations," *Review of International Studies*, Vol. 24 (December 1998), pp. 101–117. Koslowski and Kratochwil, "Understanding Change in International Politics," come closest to implementing a constitutive perspective, but even their account has a strong causal element; they also ultimately counterpose their analysis to a baseline material account.

16. Kenneth N. Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979).

17. For a further discussion of these theoretical issues, see Stephen G. Brooks, "The Globalization of Production and International Security," Ph.D. dissertation, Yale University, 2001, chap. 3.

18. See the discussion in Stephen G. Brooks, "Dueling Realisms," *International Organization*, Vol. 51, No. 3 (Summer 1997), especially pp. 450–453.

19. As William Odom notes, it is important to recognize the "symbiosis of economic policies and military considerations in the Soviet Union." Odom, "The Soviet Military in Transition," *Problems of Communism*, Vol. 39 (May–June 1990), p. 62.

FRAMING THE ANALYSIS

The remainder of this article provides a fuller analysis of material incentives and their relation to changing Soviet ideas and policies. Our empirical focus is on the Soviet Union's fundamental shift in grand strategy in the latter half of the 1980s.<sup>20</sup> We seek answers to two critical questions. Most important, why did the Soviets choose a grand strategy of retrenchment instead of continuing with the foreign policy status quo? In turn, why did the Soviets engage in retrenchment and at the same time seek to pursue engagement, in particular by opening up to the global economy?

We frame our analysis at this broad level for three reasons. First, most studies of this case in the general international relations literature are centered on Moscow's decision to move away from the foreign policy status quo. This grand strategic reorientation has attracted so much attention in part because it involved changing the essential core of Soviet foreign policy, including many of its fundamental ideological precepts. Second, as we show, the choice between the retrenchment/engagement strategy and maintaining the foreign policy status quo was the operative decision for Soviet policymakers. Third, all accounts of these events agree that the Soviets' eventual decision fundamentally to reorient their foreign policy was one of the most important elements of the end of the Cold War. Indeed, most analysts hold that the Soviet strategic realignment we treat here was *the* most important immediate cause of the transformation of world politics in the late 1980s.<sup>21</sup>

We restrict our analysis in two critical ways. First, we define material incentives solely in terms of the costs of maintaining the status quo. Second, we define material costs exclusively as *economic* costs. Clearly, increasing economic costs were not the only relevant factors in the material balance sheet facing Soviet policymakers.<sup>22</sup> We limit the analysis to economic costs partly for reasons of parsimony, partly so that our analysis is falsifiable, and partly to ensure that our examination stands clearly in contrast to the ideational explanations outlined above.

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20. A clear argument for why the pre-1986 policy can be treated as a case of continuity is English, *Russia and the Idea of the West*.

21. See, for example, Raymond L. Garthoff, *The Great Transition: American-Soviet Relations and the End of the Cold War* (Washington, D.C.: Brookings, 1994).

22. Nuclear weapons are also clearly important. See the discussions in Deudney and Ikenberry, "International Sources of Soviet Change"; and Oye, "Explaining the End of the Cold War." Although nothing appreciably changed regarding nuclear weapons during this period, and they did not propel the new Soviet interest in retrenchment, they did provide a margin of safety that made adopting retrenchment at this time easier for many to swallow.

### *Soviet Relative Decline*

Most analysts now agree that the Soviet Union was declining relative to its rivals in the 1980s. Scholars developing ideational models of the end of the Cold War argue, however, that decline by itself is woefully indeterminate: Retrenchment was not the only way Moscow could have responded to decline. Moreover, they contend that Soviet decline was comparatively mild in the mid-1980s. They conclude, therefore, that “new thinking” ideas emerged largely independently and were far more directly connected to Gorbachev’s foreign policy responses than was relative decline.

These objections raise three critical issues. First is the depth and timing of decline. Exactly when did it begin, and how bad was it? Second is the comparative systemic context of Soviet decline. Given the logic of the Soviet Union’s placement in the international system, are there deductive reasons that we would expect it to be more or less sensitive to decline than other modern great powers? Third is the issue of endogeneity, that is, the connection between changes in capabilities and changes in ideas. How did decline, new ideas, and new policies relate? How deep was the Soviets’ uncertainty about the optimal policy response to decline? The following subsections address these issues.

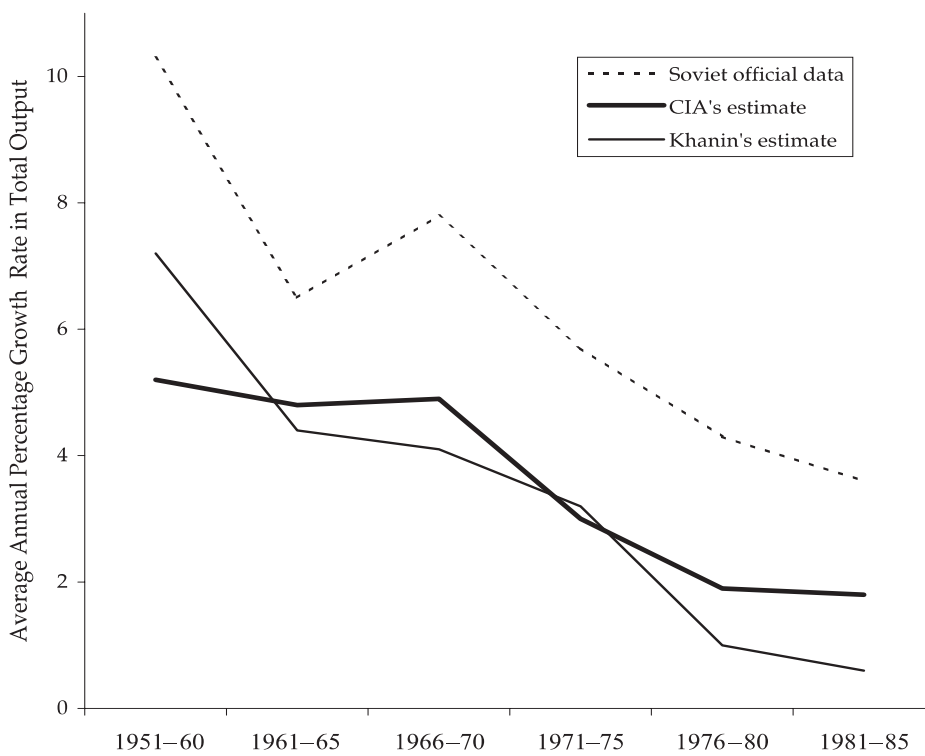
#### MEASURING SOVIET RELATIVE DECLINE

The root of the Soviet Union’s problem was declining growth. War years excepted, the Soviet Union grew rapidly from the 1920s to the 1960s, registering especially impressive performance in the 1950s. Beginning in 1960 growth rates began to decline steadily. All data sets agree on this essential trend (Figure 1).<sup>23</sup> Indeed the official data, though they overstate absolute levels of output, show a much steeper rate of decline in growth tempos than do the Central

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23. Analysts agree that official data vastly overstated Soviet economic performance. The CIA’s estimates, which were based on a complex reworking of official data, have also been widely criticized for overstating Soviet output. Russian economist G.I. Khanin’s data, included in Figure 1, reconcile many of the fundamental accounting contradictions in the official and CIA series, and thus capture many economists’ best estimation of Soviet reality. Economists remain divided over Khanin’s methodology, however. For discussions of these issues, see Abraham C. Becker, “Intelligence Fiasco or Reasoned Accounting? CIA Estimates of Soviet GNP,” *Post-Soviet Affairs*, Vol. 10, No. 4 (October–December 1994), pp. 291–329; Gertrude E. Schroeder, “Reflections on Economic Sovietology,” *Post-Soviet Affairs*, Vol. 11, No. 3 (July–September 1995), pp. 197–234; G.I. Khanin, *Sovietskiy ekonomicheskiy rost: analiz zapadnykh otsenok* [Soviet economic growth: An analysis of western assessments] (Novosibirsk: EKOR, 1993), chap. 3; and Mark Harrison, “Soviet Economic Growth since 1928: The Alternative Statistics of G.I. Khanin,” *Europe-Asia Studies*, Vol. 45, No. 1 (January 1993), pp. 141–167.

**Figure 1. Soviet Economic Decline.**



SOURCE: Joint Economic Committee, U.S. Congress, *Measures of Soviet Gross National Product in 1982 Prices* (Washington, D.C.: Government Printing Office, 1990); and G.I. Khanin, "Ekonomicheskii rost: Alternativnaia otsenka" [Economic growth: An alternative estimate], *Kommunist*, No. 17 (November 1988), pp. 83-90.

NOTES: Output measurement for Soviet official data and Khanin is net material product (NMP); for CIA it is gross national product (GNP). The 1950s are treated as one interval because Khanin does not divide the 1950s data.

Intelligence Agency's (CIA's) calculations. Extrapolating from the official data would thus generate more pessimistic expectations than the Western numbers would produce. Depending on whose estimates one believed, from the vantage of 1985 the Soviet Union was about to begin declining in absolute terms or it was doomed to stagnate in a slow-growth equilibrium—unless something was done to reverse a twenty-year secular trend.

Although the Soviet growth rates declined steadily for twenty-five years after 1960, there is an important break-point beginning roughly in the mid-1970s, when Soviet economic performance took a sudden turn for the worse (Figure 1). Data on Soviet industrial production and productivity reveal this shift even more clearly (Figure 2).<sup>24</sup> More discrete indicators also moved precipitously downward in this period. Rates of return on capital investment and expenditures on research and development (R&D) and, critically, the rate of technological innovation all slowed measurably in these years.<sup>25</sup> Indicative of this slowdown, the number of foreign patents granted to Soviet scientists declined by almost 11 percent between 1981 and 1985, despite the fact that the Soviets devoted a growing share of national income to R&D.<sup>26</sup>

The raw numbers on output and productivity highlight quantity rather than quality and thus understate the severity of Soviet decline. For example, few economists believe that a 3 percent Soviet growth rate was equivalent to a 3 percent U.S. growth rate, and most suspect that a Soviet-type economy growing at that rate was effectively treading water. The reason is that Soviet-type economies were especially dependent on high growth rates because the low quality of goods and negligent maintenance led to a very high turnover rate for all products in the economy.<sup>27</sup> At the extreme, many goods that were produced and were counted as part of Soviet growth and productivity statistics were simply useless.<sup>28</sup> For these reasons, slow growth created severe problems for Soviet policymakers. Backlogs, bottlenecks, chronic shortages, increased

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24. In the aggregate statistics, the shift is somewhat obscured by weather-induced gyrations in agricultural production.

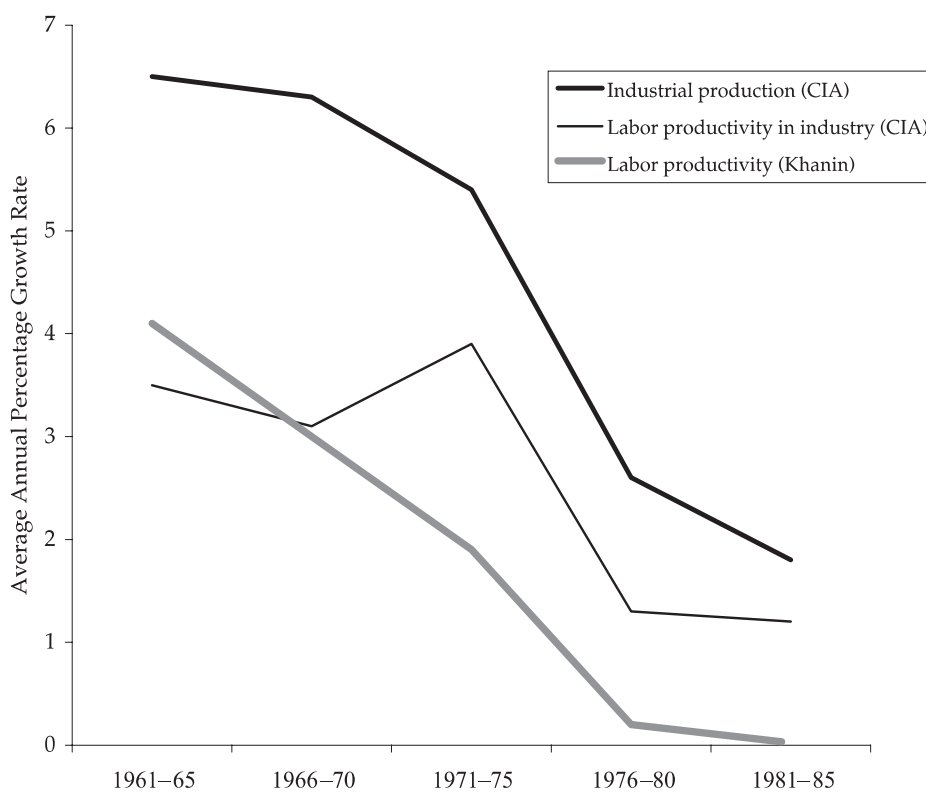
25. A good overview of data concerning the late 1970s decline is David Kotz, with Fred Weir, *Revolution from Above: The Demise of the Soviet System* (London: Routledge, 1997), chap. 3. Additional data on the trends noted in this sentence are reported in John S. Pitzer and Andrew P. Baukol, "Recent GNP and Productivity Trends," *Soviet Economy*, Vol. 7, No. 1 (January–March 1991), pp. 46–82; Vladimir Kontorovich, "Technological Progress and Research and Development," in Michael Ellman and Kontorovich, eds., *The Disintegration of the Soviet Economic System* (New York: Routledge, 1992), pp. 217–238; Kontorovich, "The Long-Run Decline in Soviet R&D Productivity," in Henry S. Rowen and Charles Jr. Wolf, eds., *The Impoverished Superpower: Perestroika and the Soviet Military Burden* (San Francisco, Calif.: Institute for Contemporary Studies, 1990), pp. 255–270; and Stanislaw Gomulka and Alec Nove, *East-West Technology Transfer*, Vol. 1 (Paris: Organization for Economic Cooperation and Development [OECD], 1984), p. 44. We provide a further analysis in William C. Wohlforth and Stephen G. Brooks, "Material Incentives and the End of the Cold War," draft chapter, in Wohlforth, ed., *Cold War Endgame*, book manuscript in progress.

26. Kontorovich, "The Long-Run Decline in Soviet R&D Productivity," p. 257.

27. See, for example, Jan Winiecki, "Are Soviet-Type Economies Entering an Era of Long-Term Decline?" *Soviet Studies*, Vol. 38, No. 3 (July 1986), especially p. 335.

28. See Paul Marer, "Reforms in the USSR and Eastern Europe: Is There a Link?" in Aurel Braun, ed., *The Soviet-East European Relationship in the Gorbachev Era: The Prospects for Adaptation* (Boulder, Colo.: Westview, 1986), p. 86.

Figure 2. The Late 1970s Decline.



SOURCES: Gertrude E. Schroeder, "The Slowdown in Soviet Industry, 1976-1982," *Soviet Economy*, Vol. 1, No. 1 (January-March 1985), pp. 42-74; and G.I. Khanin, "Ekonomicheskiy rost: Alternativnaia otsenka" [Economic growth: An alternative estimate], *Kommunist*, No. 17 (November 1988), pp. 83-90.

waste due to deteriorating infrastructure—these and many similar problems began to multiply as soon as growth moderated. For a given decline in growth rates, the negative effect on Soviet living standards and on the country's ability to compete was proportionally much greater than it was for a market-based economy.

Moreover, numerous noneconomic indicators also began to indicate systemic decline precisely in the mid-to-late 1970s. In particular, this was the period in which significant declines occurred in various demographic and public

health indicators, with the Soviet Union making history as the first industrialized country to register peacetime declines in life expectancy and infant mortality.<sup>29</sup> Data on social and political problems of alienation and disaffection—alcoholism, absenteeism, draft avoidance, and the like—also accumulated in these years.<sup>30</sup>

The connections among these various indicators are complex and controversial. What matters is that so many quantitative and qualitative indicators concur on a fundamental downward shift in the Soviet Union's trajectory beginning in roughly the mid-to-late 1970s. The key point here is that stagnation is not a constant; it is a variable, because every year it continues is another piece of evidence that the problem is systemic rather than cyclical. States can undergo temporary economic slowdowns without considering major policy departures or international retrenchment. But the Soviet slowdown was not temporary. By the early 1980s, all the indications were that a structural shift—for the worse—had occurred in the country's material fortunes.

The new decline in Soviet growth rates—and the fact that this decline was systemic—was devastating for the country's prospects. Even in absolute terms, the new phase of decline was bound to be a problem for a country that had become accustomed to rapid growth for two generations. What made the Soviet decline truly salient, however, was the international context. Between 1960 and 1989, Soviet growth performance was the worst in the world, controlling for levels of investment and education, and its performance relative to the rest of the world was declining over time.<sup>31</sup> In other words, the Soviet Union was becoming progressively less competitive, even if competitiveness is defined solely in terms of growth in gross production—a benchmark that, as discussed above, greatly overstated the Soviet Union's economic capacity. Due to declining economic growth, the Soviet share of major powers' gross domestic product (GDP) began to drop—the mid-1970s again being the transition point.<sup>32</sup>

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29. Murray Feshbach and Alfred Friendly, Jr., *Ecocide in the USSR: Health and Nature under Siege* (New York: Basic Books, 1992), chap. 1 and pp. 273–274.

30. The best general overview of the Soviet and Russian sociological research on this period is Aleksandr Shubin, *Istoki perestroiki, 1978–1984* [The origins of perestroika, 1978–1984], 2 vols. (Moscow: n.p., 1997). On rising rates of draft avoidance, see Daniel M. Nelson, "Power at What Price? Security in the WTO," *Journal of Soviet Military Studies*, Vol. 2, No. 3 (September 1989), pp. 312–345. Nelson (p. 325) reports that the proportion of draft-age cohorts trying to avoid service increased from 27 percent in the 1964–73 period to 38 percent between 1974 and 1978. After the invasion of Afghanistan, the rate escalated further.

31. William Easterly and Stanley Fischer, "The Soviet Economic Decline," *World Bank Economic Review*, Vol. 9, No. 3 (September 1995), pp. 347–371.

32. Calculated from data in Angus Maddison, *Monitoring the World Economy, 1820–1991* (Paris: OECD, 1995). "Major powers" defined as the United States, the Soviet Union, West Germany, France, Great Britain, Japan, and China.



What mattered most to Soviet policymakers, however, was the direct comparison between their country's economic performance and that of their main rival, the United States. As Figure 3 shows, the early 1980s marked the beginning of the longest period in the post-World War II era in which average Soviet growth rates fell behind those of the United States. For the first time in the Cold War era, it was clear that barring some dramatic turnaround the Soviet Union would never close the gap in brute economic output with the United States, to say nothing of closing the gap in technology.

Although relative decline of this magnitude would be unsettling for any country, it was disastrous for a state in the Soviet Union's international position. When Gorbachev became general secretary in 1985, the United States had on average grown 1 percent per year faster than the Soviet Union over the preceding decade (based on CIA estimates that probably overstate Soviet performance). By contrast, between 1893 and 1913 Britain's economic growth lagged Germany's by an average of just 0.8 percent per year—a change sufficient to produce “an orgy of self-doubt and recrimination among British politicians and industrialists.”<sup>33</sup> Compounded over time, such marginal differences in growth rates become strategically significant, which is why few historians are surprised at the British elite's reaction to their country's declining economic fortunes. For example, over the 1893–1913 interval, Britain's economy grew by 56 percent whereas Germany's grew by 90 percent, with all the attendant consequences for Britain's security and prestige. Britain's relative decline produced a major reorientation in grand strategy that combined retrenchment and engagement with growing rivals, notably Germany.<sup>34</sup> And the clash between expectations and actual performance was much greater for the Soviet Union because it was coming down from a formative period of extremely rapid growth. Consequently Soviet decline was also unusually rapid, with growth rates dropping by half between 1975 and 1980. Britain, by contrast, took a generation to travel a comparable path.

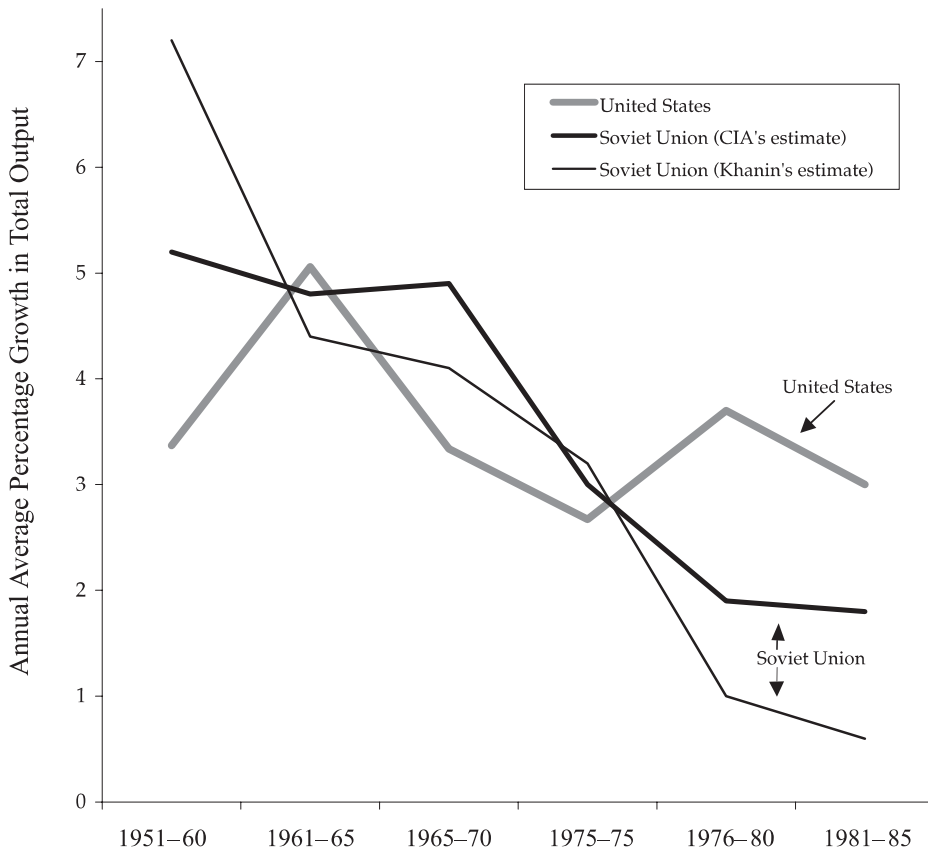
Thus when Gorbachev announced a few months before taking office that restoring growth was a necessary condition for preserving the Soviet

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33. Quote and calculations from David D'Lugo and Ronald Rogowski, “The Anglo-German Naval Race and Comparative Constitutional ‘Fitness,’” in Richard Rosecrance and Arthur A. Stein, eds., *The Domestic Bases of Grand Strategy* (Ithaca, N.Y.: Cornell University Press, 1993), pp. 72–73.

34. On Anglo-German détente, see Sean M. Lynn-Jones, “Détente and Deterrence: Anglo-German Relations, 1911–1914,” *International Security*, Vol. 11, No. 2 (Fall 1986), pp. 121–150. On the connection between Britain's decline and change in its grand strategy, see Aaron L. Friedberg, *The Weary Titan: Britain and the Experience of Relative Decline, 1895–1905* (Princeton, N.J.: Princeton University Press, 1987).

Figure 3. Soviet and U.S. Growth Rates.



SOURCES: Joint Economic Committee, U.S. Congress, *Measures of Soviet Gross National Product in 1982 Prices* (Washington, D.C.: U.S. Government Printing Office, 1990); Angus Maddison, *Monitoring the World Economy, 1820-1991* (Paris: Organization for Economic Cooperation and Development, 1995); and G.I. Khanin, "Ekonomicheskiy rost: Alternativnaia otsenka" [Economic growth: An alternative estimate], *Kommunist*, No. 17 (November 1988), pp. 83-90.

NOTE: Maddison data (for United States) is GDP, CIA is GNP, and Khanin is NMP.

Union's status as a great power, there is no reason to believe that he was exaggerating.<sup>35</sup>

#### PLACING SOVIET DECLINE IN CONTEXT

The British example is a reminder that the Soviet Union was hardly the only great power over the past two centuries to have suffered relative decline. The logical question then becomes: Are there deductive reasons to expect that the Soviet Union would reorient its foreign policy more strongly in response to relative decline than other great powers had done in the modern era? This question has largely been absent from the end of the Cold War debate, perhaps because of the widespread (and misleading) view that Soviet relative decline was not especially rapid or marked. In fact, four overlapping aspects of the Soviet Union's international position—a combination unique in modern international history—made Moscow far more sensitive to decline than other great powers.

First, the bipolar distribution of power meant that the Soviet elite had a single, unambiguous "reference group" for measuring its relative position: the United States. In a multipolar setting such as that faced by Britain and all other declining great powers over the two centuries before 1945, relative gains calculations are indeterminate. London could (and did) take comfort in the fact that increments of power it "lost" to other states would be absorbed by their mutual rivalries. For Moscow, any relative loss to the United States redounded unambiguously to its disadvantage. Moreover, bipolarity fostered a stable alliance system in which the world's largest and most advanced economies were arrayed against Moscow. When the Soviet Union's share of the great powers' GDP dropped, it was clear that the resultant advantage would accrue to rival states.

Second, the Soviet Union was a declining challenger to U.S. primacy.<sup>36</sup> Moreover, it was a challenger that had never come close to rivaling the economic size of the U.S. hegemon, let alone the United States combined with its major allies. According to the most recent CIA estimate, the Soviet economy reached an all-time peak of 57 percent of U.S. gross national product in 1970. And this is the estimate most widely and intensely criticized—even by agency econo-

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35. As Gorbachev stressed, "Only an intensive acceleration of the economy . . . will allow our country to enter the new millennium as a great and flourishing power." Speech delivered on December 10, 1984, in Mikhail S. Gorbachev, *Izbrannye rechi i stat'i* [Selected speeches and writings], Vol. 2 (Moscow: Izdatel'stvo politicheskoi literatury, 1987), p. 86.

36. See Wohlforth, "Realism and the End of the Cold War," especially pp. 98–99.

mists themselves—as massively overstating Soviet economic achievements.<sup>37</sup> The Soviet elite’s basic reference point was one in which Moscow was gaining rapidly vis-à-vis the United States. Anything short of that was devastating: The Soviet Union could challenge the United States only if its relative capabilities were increasing. Once a challenger begins to decline steadily, it will eventually have to change its role—especially in a bipolar system in which the challenger is nowhere near to catching up to the hegemon. And that role shift may well be accompanied by considerable intellectual change and even anguish on the part of an elite that may have defined itself in terms of opposition to the status quo.<sup>38</sup> A leading state, by contrast, can suffer prolonged decline without such a role reversal as long as it clearly remains number one. The United States, for example, declined substantially relative to its allies and the Soviet Union as they recovered from the war in the first fifteen years after 1945. But it remained number one by a large margin, and because its relative position stabilized after 1960, it never faced the anguishing reappraisal that the rise of a true peer competitor would have occasioned.

The outer limits of a state’s capabilities are determined by its economic output. Once the Soviet economy began to decline vis-à-vis the United States, Moscow could maintain a challenge only by extracting ever more capabilities from its economy. That brings up the third reason that relative decline placed more pressure on Soviet grand strategy than it did on earlier declining powers: The Soviet Union was a challenger with a far more acute case of imperial overstretch than the reigning hegemon. Typically, the dominant power, not the rising challenger, is encumbered by rising imperial burdens.<sup>39</sup> In the Cold War, this situation was reversed: The relative costs of the United States’ “empire by invitation”<sup>40</sup> were not nearly as large as the imperial costs faced by the Soviets, who arguably confronted modern history’s worst case of imperial overstretch.

Defense claimed a staggeringly large proportion of Soviet resources. Despite daunting measurement problems, different sources converge around an esti-

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37. The estimate is in Becker, “Intelligence Fiasco or Reasoned Accounting?” p. 309, who also discusses criticisms of it.

38. On the difficulties that elites have in adjusting to gaps between expected and actual relative power, see Charles A. Kupchan, *The Vulnerability of Empire* (Ithaca, N.Y.: Cornell University Press, 1994).

39. See Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981); and Paul M. Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Random House, 1987).

40. Geir Lundestad, “Empire by Invitation: The United States and Western Europe, 1945–1952,” *Journal of Peace Research*, Vol. 23, No. 3 (1986), pp. 263–277.

mate of roughly 40 percent of the budget and 15–20 percent of GDP in the early 1980s, or at least four times the U.S. level.<sup>41</sup> By any comparative standard, this is a punishingly high peacetime commitment to military power. And not only was the defense burden high, but it was rising in the early and mid-1980s (Figure 4). Moscow's international position imposed other costs that were also increasing in this period. The CIA estimated that the costs of the Soviet Union's global position more than doubled between 1970 and 1982.<sup>42</sup> At the beginning of the 1980s, the Central Committee estimated Soviet spending on foreign aid alone at 2 percent of GDP.<sup>43</sup>

Perhaps most important, the economic burden of the Soviet position in Eastern Europe was also rapidly escalating at this time. The best-researched account of Soviet–Warsaw Pact economic relations concludes that by the mid-1980s, “Soviet subsidies to the region were becoming an intolerable burden. . . . What had been a serious problem in the early 1970s had grown into a crisis of threatening proportions by the mid-1980s.”<sup>44</sup> This imperial crisis stemmed from a variety of factors. Following the rise of Solidarity in Poland and the imposition of martial law in 1981, Moscow bankrolled a huge outflow of subsidized loans in the early 1980s to Poland, East Germany, and Bulgaria.<sup>45</sup> The goods that their allies shipped to the Soviets were falling further and further behind world standards, and most were of much lower quality than the Soviets could have obtained on the open world market in exchange for the energy and raw materials they sent to Eastern Europe.<sup>46</sup> At the same time, the Soviets' marginal cost of extracting the energy and raw materials they supplied

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41. See Noel E. Firth and James H. Noren, *Soviet Defense Spending: A History of CIA Estimates, 1950–1990* (Houston: Texas A&M University Press, 1998), for the CIA estimate of 15 percent in 1980. Using a different methodology (percentage of the workforce in the defense sector), Clifford Gaddy estimates 20 percent; see Gaddy, *The Price of the Past* (Washington, D.C.: Brookings, 1997), chap. 1.

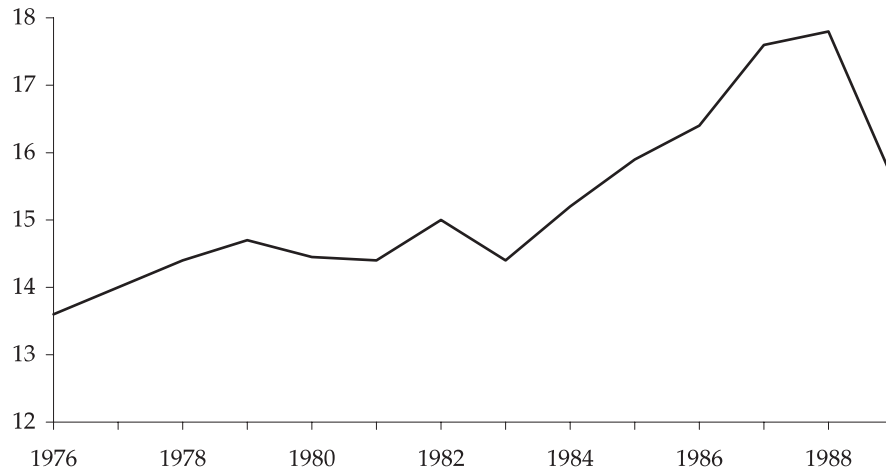
42. Firth and Noren, *Soviet Defense Spending*, p. 134.

43. Michael Ellman and Vladimir Kontorovich, *The Destruction of the Soviet Economic System: An Insiders' Account* (Armonk, N.Y.: M.E. Sharpe, 1998), p. 293.

44. Randall Stone, *Satellites and Commissars: Strategy and Conflict in the Politics of Soviet-Bloc Trade* (Princeton, N.J.: Princeton University Press, 1996), p. 134. More evidence for Stone's central conclusion is presented in Hannes Adomeit, *Imperial Overstretch: Germany in Soviet Policy from Stalin to Gorbachev* (Baden Baden: Nomos Verlagsgesellschaft, 1998). For an analysis based on earlier data that reaches this same general conclusion, see Valerie Bunce, “The Empire Strikes Back: The Evolution of the Eastern Bloc from Soviet Asset to Liability,” *International Organization*, Vol. 39, No. 1 (Winter 1985), pp. 1–46.

45. J.F. Brown, *Eastern Europe and Communist Rule* (Durham, N.C.: Duke University Press, 1988), p. 138.

46. See, for example, Mark Kramer, “The Soviet Union and Eastern Europe: Spheres of Influence,” in Ngaire Woods, ed., *Explaining International Relations since 1945* (Oxford: Oxford University Press, 1996), p. 112, who reports that most of these East European exports to the Soviet Union were of such poor quality that they “would have been unmarketable, or saleable only at highly disadvantageous prices, outside the Soviet bloc.”

**Figure 4. Soviet Defense Expenditures as Percentage of GNP.**

SOURCE: Noel E. Firth and James H. Noren, *Soviet Defense Spending: A History of CIA Estimates, 1950–1990* (Houston: Texas A&M University Press, 1998).

NOTES: Based on current prices. Data points for 1977–78 and 1980 are extrapolations.

to Eastern Europe was progressively increasing because most of the easily exploitable sources in the Soviet Union had already been exhausted.<sup>47</sup> Finally, the East European countries suffered a marked slowdown at this time in both technological competitiveness and economic growth—declining from an average real GDP growth rate of 3.23 percent in 1971–80 to 0.9 percent in 1981–85, and eventually reaching an average growth rate of –1.16 percent in 1989.<sup>48</sup> For these and other reasons, by the mid-1980s the Soviets felt “increasingly exploited by the East Europeans,” and there was growing Soviet “exasperation at what they considered the self-seeking behavior of their East European liabilities.”<sup>49</sup> This led Soviet leaders to take the uncomfortable step of publicly castigating their allies in the Council for Mutual Economic Assistance (CMEA). The most notable public expression of this growing frustration was at the 1984

47. Stone, *Satellites and Commissars*, p. 37.

48. Carol Clark, “Relative Backwardness in Eastern Europe: An Application of the Technological Gap Hypothesis,” *Economic Systems*, Vol. 17, No. 3 (September 1993), pp. 167–193, is a good source on declining technological competitiveness. Growth figures are calculated from data in *ibid.*, p. 170.

49. Brown, *Eastern Europe and Communist Rule*, p. 155.

CMEA summit, where General Secretary Konstantin Chernenko issued a stern warning to the East European countries to start living up to their economic “responsibilities,”<sup>50</sup> and the summit’s final document bluntly directed them to start “supplying the USSR with the products it needs.”<sup>51</sup>

The fourth reason that relative decline placed more pressure on Soviet grand strategy than it did on that of earlier declining powers was the particular nature of the Soviet Union’s technological lag with its rivals. By the late 1970s, it was becoming increasingly evident to Soviet analysts that the world’s most advanced economies—all of which were arrayed against the Soviet Union—were undergoing an important transformation involving the rapid development of high technology. The Soviets dubbed this the “scientific and technological revolution,” and there was little doubt that it was leaving them behind.<sup>52</sup> As Gorbachev’s Chief of Staff Valery Boldin (a hard-liner who later joined the August 1991 anti-Gorbachev putsch) acknowledged, “In the U.S. a truly colossal development took place in the electronic industry and aerospace production—in a word, the USA’s development had entered the stage of the real technological revolution.”<sup>53</sup>

The Soviet Union’s concerns about the technological lag became much more acute in the early 1980s, as evidence began to accumulate that the revolution in information technology and electronics would have profound implications for the competitiveness of its military sector. As William Odom recounts, “It was becoming clear to Soviet military leaders that they were facing a third wave of new military technologies. The developments in micro-electronics, the semiconductor revolution and its impact on computers, distributed processing, and digital communications were affecting many aspects of military equipment and weaponry. . . . [The] new revolution in military affairs was demanding forces and weapons that the Soviet scientific-technological and industrial bases could not provide.”<sup>54</sup>

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50. *Ibid.*, p. 154.

51. As J.F. Brown points out, “The directness of the above-quoted passage, which was, after all, part of an *agreed* document, gives some idea of what the debates over the issue must have been like and of what the Soviets’ *original* suggestions might have been.” *Ibid.*, p. 155 (emphasis in original).

52. For an illuminating discussion, see Erik P. Hoffmann and Robbin F. Laird, *The “Scientific-Technological Revolution” and Soviet Foreign Policy* (New York: Pergamon Press, 1982).

53. Interview with Valery I. Boldin, February 24, 1999, conducted by Oleg Skvortsov, head of the Cold War Oral History Project at the Institute of General History, Moscow (on file at the Institute of General History and the Mershon Center at Ohio State University) (hereinafter cited as “Skvortsov interviews”).

54. Odom, “The Soviet Military in Transition,” pp. 52–53, 63–64.



To be sure, many Soviet policymakers retained confidence in the competitiveness of the current generation of Soviet conventional weaponry. Of key concern, however, was the greatly increasing difficulty of keeping up in military technology. As Thomas Nichols reports, the Soviet military foresaw “a steepening of the curve of technological progress that was both unprecedented and dangerous,” and “military writers then began an all-out campaign of alarmism on the issue of conventional technologies in the early 1980s.”<sup>55</sup> Soviet policymakers were acutely aware of their lag in information processing technology. In 1987, for example, the Soviets produced 51,000 personal computers, compared with the Americans’ 8,668,000.<sup>56</sup> Soviet officials—including many in the military—were greatly concerned about what would happen when the Americans deployed the next generation of high-technology conventional weapons being developed in the 1980s that truly took advantage of the microelectronics revolution.<sup>57</sup> Indeed, by the early 1980s, high-level military officials were arguing for another Soviet crash program—on the scale of the Herculean effort to match U.S. thermonuclear and missile capabilities in the 1950s—to develop new critical technologies.<sup>58</sup>

Of course, other declining great powers in the modern era had experienced periods of reduced military technological competitiveness vis-à-vis their main competitors. But as discussed above, the Soviet Union was in a unique position because it was a declining challenger in a bipolar system, and hence was especially sensitive to any trends that had negative consequences for its ability to keep up with the leading power. Furthermore, the cost, scale and, most important, the pace of technological change in the late 1970s and 1980s appear to

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55. Thomas M. Nichols, *The Sacred Cause: Civil-Military Conflict over Soviet National Security* (Ithaca, N.Y.: Cornell University Press, 1993), pp. 115, 116.

56. Julian Cooper, “Soviet Technology and the Potential of Joint Ventures,” in Alan B. Sherr, Ivan S. Korolev, Igor P. Faminsky, Tatyana M. Artemova, and Evgeniya L. Yakovleva, eds., *International Joint Ventures: Soviet and Western Perspectives* (New York: Quorum Books, 1991), p. 41.

57. See, for example, Notra Trulock III, “A Soviet View of Nonnuclear Strategic Capabilities and Future War,” in Kenneth B. Moss, ed., *Technology and the Future Strategic Environment* (Washington, D.C.: Woodrow Wilson Center Press, 1990), pp. 37–47; Mary C. Fitzgerald, “Marshall Ogarkov and the New Revolution in Soviet Military Affairs,” *Defense Analysis*, Vol. 3, No. 1 (1987), pp. 9–10; Nichols, *Sacred Cause*, especially pp. 115–120; Odom, “The Soviet Military in Transition”; and Dale Herspring, *The Soviet High Command, 1967–1989: Personalities and Politics* (Princeton, N.J.: Princeton University Press, 1990), chap. 6.

58. According to former Deputy Chief of Staff Gen. M.A. Gareev, “We even came up with the following plan. At one time the USSR had thrown all its resources at developing nuclear weapons. Similarly it was now necessary to develop a strong microelectronic base. We needed a big leap. We needed to merge our research facilities and set up new ones; to invest a lot of resources and put the best scientists to work in the area of microelectronics.” Interview, excerpted in Ellman and Kontorovich, *Destruction of the Soviet Economic System*, p. 63.

have been more marked than in previous eras. As a result, the technological lag with the West promised not only to grow rapidly, but also to be extremely costly and difficult for the Soviets to redress. Of key importance here is that Moscow's quantitative decline sapped its ability to overcome the growing quality gap with the United States by the time-honored Soviet method of concentrating resources on the development of militarily significant technology. The Soviets' last massive effort to overcome technological backwardness (to develop missile and thermonuclear weapon capabilities) occurred in the 1950s—precisely when the economy registered its best relative growth. Contemplating a new and massive campaign to develop a microelectronic base sufficient to meet the challenge from the West with a stalled or declining economy was far more difficult.

In sum, the logic of the Soviet Union's international position made its grand strategy more sensitive to relative decline than were the strategies of other modern great powers. And by the mid-1980s, the Soviet Union was clearly in a state of prolonged systemic decline. In the next section, we examine the link between these initial conditions and the Soviet elite's actual response.

#### DECLINE AND CHANGE

The starting point of most models of ideas and foreign policy is the existence of a causal gap between material incentives and the behavioral response—a gap that only ideas can fill. In the case of the Soviet Union and the end of the Cold War, how big is this gap? In other words, how closely does the evidence on decline match up with Soviet perceptions and policy? The preponderance of evidence—especially the information that has come to light only recently—suggests that this gap was small. And that finding calls into question ideational models of the reorientation of Soviet foreign policy.

Consider first the relationship between decline and elite perceptions of decline. For material change to affect policy, it must be perceived. The connection between material change and perceptions of that change cannot be instantaneous, however: Observers can only know that they are living through a "trend" if the phenomenon has been under way for several years. Therefore, *some* lag between a material change that we now know occurred and actors' contemporary perception of that change is inevitable. The question that is inadequately addressed in the current literature is how large that lag must be to present a puzzle for models based on material incentives. In the case of Soviet decline and the end of the Cold War, we would expect that Soviet policymakers would have been cognizant of some profound, systemic shift for the

worse only after numerous indicators had steadily confirmed impressionistic evidence over a period of years. Based just on the aggregate data, therefore, we would expect the new phase of Soviet decline to have become an issue for policymakers sometime in the late 1970s or early 1980s.<sup>59</sup> Because the quantitative indicators kept trending down, and because the evidence of the growing significance of the Soviets' qualitative lag accumulated rapidly in the 1980s, we would therefore expect that perceptions of decline would grow steadily in the first half of the decade.

The most recent evidence confirms these expectations. As Mark Kramer notes, "Declassified transcripts of CPSU Politburo meetings from 1980, 1981 and 1982 . . . are full of apprehensive comments about the Soviet Union's [declining] relative power. Similar comments can be found in Politburo transcripts from 1983 and 1984."<sup>60</sup> Soviet policymakers at the national and local levels confronted more and more tangible indicators of decline that created increasing problems for them, including inflation, pressure on the budget, goods shortages, and production backlogs.<sup>61</sup> Internal assessments hovered precisely in the range suggested by the CIA's estimates and G.I. Khanin's more pessimistic calculations (Figure 1). As Politburo member Vadim Medvedev recalled, "We proceeded from the assumption that in the beginning of the 1980s, the growth of industrial production had stopped, and the real income of the population had actually declined."<sup>62</sup>

Thus when Gorbachev became general secretary in 1985, the problem of relative decline had been under discussion for a half-decade. It is hardly surprising therefore to discover that he was even more concerned about decline than were his predecessors. Nor is it surprising that he focused so intently on the

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59. The larger expectation based on those data would be (1) great optimism in the 1950s; (2) greater circumspection in the 1960s and 1970s; and (3) serious concern in the early 1980s. With the exception of the optimism occasioned by Moscow's achievement of overall military parity in 1970, this corresponds to the evidence on perceptions reported in William C. Wohlforth, *The Elusive Balance: Power and Perceptions during the Cold War* (Ithaca, N.Y.: Cornell University Press, 1993).

60. Mark Kramer, "Ideology and the Cold War," *Review of International Studies*, Vol. 25, No. 4 (October 1999), p. 566.

61. The best sources here are Ellman and Kontorovich, *Disintegration of the Soviet Economic System*; Ellman and Kontorovich, *Destruction of the Soviet Economic System*; and Sergei G. Sinel'nikov, *Biudzhethnyi krizis v rossii, 1985–1995 gody* [The budget crisis in Russia, 1985–1995] (Moscow: Evraziia, 1995).

62. Quoted in Ellman and Kontorovich, *Destruction of the Soviet Economic System*, p. 95. Gorbachev's own recollection is similar; see Mikhail S. Gorbachev, *Memoirs* (New York: Doubleday, 1996), p. 216. For compilations of evidence on contemporary Soviet assessments, see Shubin, *Istoki perestroiki*, Vol. 1; Adomeit, *Imperial Overstretch*; and Egor T. Gaidar, *Days of Defeat and Victory*, trans. Jane Ann Miller (Seattle: University of Washington Press, 1999), pp. 23–25.

new technological challenges to the Soviet Union. Recently released internal documents show that the perception of decline was much more alarmist than the Soviets acknowledged publicly. They reveal a Gorbachev who seems well informed of the economic situation, making ever more insistent arguments for the necessity of international retrenchment. Gorbachev's statements on the size of the Soviet military burden; the costs of the military sector's priority claims on scarce scientific, technical, and R&D resources; the other costs of the Soviet Union's international position; and the underlying trends in technology all match up very closely with the experts' best assessment of the real material conditions that he faced while in power.<sup>63</sup> In one Politburo session, for example, Gorbachev stressed: "Our goal is to prevent the next round of the arms race. If we do not accomplish it, the threat to us will only grow. We will be pulled into another round of the arms race that is beyond our capabilities, and we will lose it, because we are already at the limit of our capabilities. Moreover, we can expect that Japan and the FRG [West Germany] could very soon join the American potential. . . . If the new round begins, the pressure on our economy will be unbelievable."<sup>64</sup>

Soviet perceptions, in short, closely track our best estimate of Soviet material decline. How do these perceptions relate to changing ideas and policies? Once again, there is always likely to be some lag between perceptions of a material shift and a major behavioral response. For one thing, individual leaders are bounded in their ability to obtain and process information. Furthermore, overcoming path dependency and instituting radical policy change is never a task to be taken lightly. Actors are first likely to try solutions within the old intellectual and institutional frameworks before turning to drastic reforms. And again, an unsettled question in the literature is how long the lag between perceived material change and the behavioral response must be to constitute a puzzle for models based on material incentives.

In the case of the Soviet Union and the Cold War's end, the newer evidence is strongly consistent with the proposition that the intellectual changes that accompanied the reorientation of Soviet foreign policy were largely endogenous

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63. Compare, for example, Gorbachev's assessment in *Memoirs*, p. 315, with Firth and Noren, *Soviet Defense Spending*, chap. 5, and Gaddy, *Price of the Past*, chap. 1. Their estimates of defense spending all range from 15–20 percent of GDP, and all agree that the burden was rising in the 1980s.

64. Politburo session of October 4, 1986, in National Security Archive Briefing Book, *Understanding the End of the Cold War: The Reagan/Gorbachev Years* (Providence, R.I.: Brown University, 1998) (hereinafter cited as NSA, *Understanding the End of the Cold War*), doc. no. 32. See also docs. nos. 19, 25, 40, 52.

to the country's relative decline. In particular, the mounting material costs of the old Soviet foreign policy created pressure to move toward retrenchment. There was actually more pressure to shift policy toward retrenchment before 1985 than standard accounts allow. It was Leonid Brezhnev who first gathered together his military leaders in 1982 to lecture them about keeping defense expenditures under control.<sup>65</sup> It was Brezhnev, Yuri Andropov, and Konstantin Chernenko who actually capped the growth in Soviet military spending.<sup>66</sup> And it was Brezhnev, Andropov, and Ideology Czar Mikhail Suslov who privately revoked the Brezhnev Doctrine in 1980–81 when they ruled out direct intervention in Poland as beyond Soviet capabilities.<sup>67</sup> But these leaders were understandably reluctant to move away from the old precepts of Soviet foreign policy. Instead, the evidence suggests that they tried to cling to the status quo while struggling to contain its escalating costs.

The evidence regarding Gorbachev similarly suggests an early reluctance to face the tough trade-offs implicit in major change—a reluctance that was only overcome by mounting evidence of further decline. Gorbachev's initial policy response did not challenge system fundamentals. Newly released Politburo notes from 1985–87 show a Gorbachev who wanted to shift the Cold War into a framework more favorable to the Soviet Union, and who believed he would have the resources to do this without placing traditional Soviet interests at risk.<sup>68</sup> Gorbachev began by reversing Brezhnev's policy of capping the military budget and programmed into the 1986–90 five-year plan an increase in military outlays; he approved an effort to end the Afghan war by military escalation; and he agreed to increase arms transfers to third world clients to magnify

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65. "Soveshchanie voenachal'nikov v kremle" [Conference of military commanders in the Kremlin], *Pravda*, October 28, 1982, p. 1.

66. Firth and Noren, *Soviet Defense Spending*, report military spending restraint in the 1973–83 period.

67. In reviewing the classified documents of the Politburo commission on the Polish crisis, Georgy Shakhnazarov notes that there was "total unanimity . . . that the use of our military contingent in Poland should be excluded from our arsenal." Shakhnazarov, *Tsena svobody: reformatsiia Gorbacheva glazami ego pomoshchnika* [The price of freedom: Gorbachev's reformation through the eyes of his assistant] (Moscow: Rossika-Zevs, 1993), p. 115. According to KGB veteran Nikolai Leonov, Yuri Andropov opined in 1980 that "the quota for our interventions abroad has been exhausted: . . . The Soviet Union already lacked the power for such operations." Leonov, *Likholet'e* [Cursed years] (Moscow: Mezhdunarodnye otnosheniia, 1994), p. 281. Available documents on the Polish crisis reveal a Politburo deeply reluctant to enforce the Brezhnev Doctrine and acutely aware of the punishing costs of doing so. See Vojtech Mastny, "The Soviet Non-Invasion of Poland in 1980–81 and the End of the Cold War," Working Paper No. 23 (Washington, D.C.: Cold War International History Project, 1998).

68. See NSA, *Understanding the End of the Cold War*, docs. nos. 44, 52.

Moscow's bargaining leverage in talks on regional issues.<sup>69</sup> All of these expensive policies appeared to reflect the assumption that an "accelerated" Soviet economy would deliver the necessary funds—and that the country's vaunted military-industrial sector was the key to increased productivity.<sup>70</sup>

By 1988, however, it became apparent that this policy of "acceleration" (*uskoreniie*) was doomed to failure. As Table 1 shows, Gorbachev's effort to jump-start the economy had no effect on the Soviet Union's relative macroeconomic performance (the upsurge in growth in 1986 resulted from a good harvest), while producing a budget deficit, inflation (suppressed though most of this period), a ballooning internal debt, a growing foreign exchange shortage, and a rising defense burden as a share of GDP. These fiscal and financial imbalances on top of the underlying systemic decline propelled the economy into a tailspin. And that led to dramatically increased pressure on the Soviets' traditional foreign policy. Only in this period did Gorbachev's foreign policy proposals truly begin to move in a more radical direction. And only in this later period did he begin privately to rely on the more radical intellectual proponents of new thinking and publicly to start a serious effort to radically redefine Soviet foreign policy practices and the country's international role.

As Gorbachev began the wrenching process of making unilateral reductions in 1988, resource constraints came to the fore at each key moment.<sup>71</sup> After Gorbachev announced a unilateral reduction of a half-million troops at the United Nations in December 1988, the Politburo pondered whether to publicize the defense burden to defuse potential criticism at home. Gorbachev re-

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69. Rhetoric aside, Gorbachev made no effort to increase outlays for consumer welfare in this period. See Sinel'nikov, *Biudzhetnyi krizis*, p. 36. Aleksandr Lyakhovskiy, *Tragediia i doblest' afgana* [The tragedy and valor of the Afghan] (Moscow: GPI Iskona, 1995), documents the early escalatory policy on Afghanistan.

70. Gaddy, *Price of the Past*, documents the central role of the military-industrial sector in the initial reform. See also William Odom, *The Collapse of the Soviet Military* (New Haven, Conn.: Yale University Press, 1998) chap. 11; and Skvortsov interviews with Egor K. Ligachev, December 17, 1998, and Oleg D. Baklanov (n.d.). In *Memoirs*, chap. 11, Gorbachev claims that he expected the initial reforms to generate a sufficient upsurge in growth to permit more thoroughgoing changes in 1990. He anticipated a boost in quantitative output that would generate a surplus sufficient to address the more fundamental qualitative challenge. This expectation would explain a lot, including his support for military spending increases until 1988.

71. Informative sources here include Anatoly S. Cherniaev, *Shest' let s Gorbachevym: po dnevnikovym zapisiam* [Six years with Gorbachev: Notes from a diary] (Moscow: Progress, 1993); Aleksandr Savel'ev and Nikolai Detinov, *The Big Five: Arms Control Decision-Making in the Soviet Union* (Westport, Conn.: Praeger, 1995); and Vitaliy I. Vorotnikov, *A bylo eto tak. . . . Iz dnevnika chlena Politburo TsK KPSS* [How it really was. . . . From the diary of a Politburo member] (Moscow: Sovet Veteranov Knigoizdaniia, 1995). For further analysis, see Wohlforth and Brooks, "Material Incentives and the End of the Cold War."



**Table 1. Economic Performance under Gorbachev.**

	1986	1987	1988	1989	1990	1991
GNP growth (%/year) <sup>a</sup>	4.1	1.3	2.1	1.5	-12	-13
Internal debt as % GDP <sup>b</sup>	20	22	36	43	55	na
Budget deficit as % GDP	-2.4	-6.2	-8.8	-11	-14	-20
Balance of payments in convertible currencies (\$U.S. billions) <sup>c</sup>	0.637	-2.3	-0.72	-3.7	-11.8 <sup>d</sup>	na

SOURCES: David Kotz and Fred Weir, *Revolution from Above: The Demise of the Soviet System* (London: Routledge, 1997); International Monetary Fund, the World Bank, Organization for Economic Cooperation and Development (OECD), and European Bank for Reconstruction and Development, *A Study of the Soviet Economy* (Paris: OECD, 1991); Sergei Germanovich Sinel'nikov, *Biudzhetniy krizis v rossii, 1985–1995 gody* [The budget crisis in Russia, 1985–1995] (Moscow: Evraziia, 1995); and Michael Ellman and Vladimir Kontorovich, eds., *The Destruction of the Soviet Economic System: An Insider's Account* (Armonk, N.Y.: M.E. Sharpe, 1998).

<sup>a</sup> The 1986–90 figures are CIA estimates; 1991 is official Russian data as reported in Sinel'nikov, *Biudzhetniy krizis v rossii*.

<sup>b</sup> The 1986–89 figures are official data; the figure for 1990 is an estimate reported in Ellman and Kontorovich, *The Destruction of the Soviet Economic System*.

<sup>c</sup> Calculated on a settlements basis. Payments deficits in nonconvertible currencies also increased dramatically over the period.

<sup>d</sup> This figure represents the first half of 1990 only.

jected the idea, arguing that if people at home and abroad knew how much defense drained from the Soviet economy, they would view the proposed unilateral cuts as absurdly small.<sup>72</sup> Again and again, in context after context, former Soviet policymakers repeat the argument that the Soviet Union simply could not bear the costs of its international position.<sup>73</sup> This is true even of many within the Soviet military. Odom finds, “In interviews and in their memoirs senior former Soviet military officers uniformly cited the burden of military spending as more than the Soviet economy could bear.”<sup>74</sup>

If the country's capabilities were in danger of falling behind, then they had to be augmented, or those against which they were arrayed had to be diminished. The great attraction of foreign policy retrenchment lay in its promise to tackle both problems at once. By scaling back Soviet claims on the international system, Gorbachev and other Soviet strategists hoped, both the cohesion and the commitment of the opposing coalition of states could be reduced. More-

72. NSA, *Understanding the End of the Cold War*, doc. no. 16.

73. See Michael Ellman and Vladimir Kontorovich, “The Collapse of the Soviet System and the Memoir Literature,” *Europe-Asia Studies*, Vol. 49, No. 2 (March 1997), pp. 259–279.

74. Odom, *Collapse of the Soviet Military*, p. 225.



over, retrenchment would directly contribute to increasing Soviet relative capabilities in the long run by easing resource constraints in the short run. As a result, a solid consensus emerged in the political leadership on the need for downsizing the military and scaling back the costs of empire. It is not surprising, therefore, that the two main economic reform alternatives to Gorbachev's course—the strategy of “optimizing the planning mechanism” favored by conservative officials such as Nikolai Ryzhkov and Yegor Ligachev, and the strategy of rapid marketization pushed by liberals such as Yegor Gaidar and Grigory Yavlinsky—were both weighted even *more* heavily toward cutting back the imperial burden.<sup>75</sup> Even many elements in the military leadership and the defense-industrial sector agreed on the general need to reduce the imperial burden.<sup>76</sup> Not all were in favor, of course, but given the extent of relative decline, the odds were heavily stacked against those who stood for the status quo.

As resource constraints mounted, the Soviet approach shifted from a competitive retrenchment on favorable terms to the far riskier strategy of graduated unilateral concessions in the hope of reciprocation. And even after they switched to this riskier strategy, the new thinkers' strategic aim was still to end the Cold War by defusing the arms race and breaking up the two alliances, leaving the Soviet Union as one of two superpowers in a depolarized world.<sup>77</sup> The transition from this robust vision of successful retrenchment to accepting defeat on Western terms with the West's military alliance and all its Cold War institutions intact occurred only in 1989–91, by which time resource constraints were overpowering the policy process on all fronts (see Table 1).

The above evidence indicates that decline, perceptions of decline, new ideas, and new policies were closely related. Of course, perceptions of decline lagged our best estimates of real material changes—though the lag does not appear particularly large. The evidence shows that Politburo concern with decline became acute just as the Soviet Union's performance relative to its obvious reference group—the United States—reached new lows. There was a more notable

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75. On the “Ligachev/Ryzhkov alternative,” see Jerry F. Hough, *Democratization and Revolution in the USSR, 1985–1991* (Washington, D.C.: Brookings, 1997). On the liberal-market option, see Gaidar, *Days of Defeat and Victory*.

76. See Skvortsov interviews with Dmitry T. Yavov, December 16, 1998, and March 11, 1999; Savel'yev and Detinov, *The Big Five*; interviews reported in Odom, *Collapse of the Soviet Military*, especially p. 225; and Nichols, *Sacred Cause*, especially pp. 212–214, 216–218. Also cf. Evangelista, *Unarmed Forces*, who is skeptical of military support for the initiation of reform but agrees that mounting resource constraints helped defuse opposition to change.

77. The best source on this strategic vision is Lévesque, *Enigma of 1989*.

lag between perceived decline and a major behavioral response. Gorbachev and his predecessors displayed a predictable reluctance to plunge immediately into radical new policies in response to clear evidence of decline. Based on existing ideational models, it is unclear whether these lags constitute significant explanatory puzzles. Before addressing this issue, however, we need to fill in our portrayal of the material pressures affecting Soviet policymakers in this period.

### *The Changing Structure of Global Production*

Although Soviet relative decline goes a long way toward explaining the reorientation of Soviet foreign policy, it leaves a great deal unexplained. In particular, it cannot account for the integrative thrust of Gorbachev's policy. To many scholars, this move toward greater integration with the West strongly reflects a "Westernizing" intellectual shift on the part of Soviet elites.<sup>78</sup> This interpretation fails to note, however, that the structure of global production was rapidly shifting at this time, greatly increasing the opportunity cost of being isolated from the world economy. In this section, we describe this change in the global economy, establish its link to the Cold War, and show how it affected the reorientation of Soviet foreign policy in the late 1980s.

#### THE GLOBALIZATION OF PRODUCTION AND THE COLD WAR

Three shifts in the structure of global production are particularly relevant to the superpower rivalry during the Cold War's last years: (1) the upswing in the number and importance of interfirm alliances; (2) the increased geographic dispersion of production; and (3) the growing opportunity cost of being isolated from foreign direct investment (FDI).<sup>79</sup> Each of these global production changes accelerated in the late 1970s and 1980s in large part due to two underlying and interrelated technological shifts: the greatly increased cost, risk, complexity, and importance of technological development;<sup>80</sup> and dramatic

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78. See, for example, English, *Russia and the Idea of the West*; and Herman, "Identity, Norms, and National Security."

79. For more thorough reviews of these changes in the structure of global production, see Brooks, "The Globalization of Production and International Security," chap. 4; and Stephen G. Brooks, "The Globalization of Production and the Changing Benefits of Conquest," *Journal of Conflict Resolution*, Vol. 43, No. 5 (October 1999), pp. 646–670.

80. See Lynn Mytelka, "Crisis, Technological Change, and the Strategic Alliance," in Mytelka, ed., *Strategic Partnerships: States, Firms, and International Competition* (Rutherford, N.Y.: Fairleigh Dickinson University Press, 1991), pp. 16–20; and Stephen Kobrin, "The Architecture of Globalization: State Sovereignty in a Networked Global Economy," in John Dunning, ed., *Governments, Globalization, and International Business* (Oxford: Oxford University Press, 1997), pp. 149–150.

improvements in transportation and communications technology.<sup>81</sup> Although multinational corporations (MNCs) had traditionally been unwilling to share control of their technological assets until the late 1970s, the changed parameters of technological development led many MNCs to view alliances with other MNCs as increasingly necessary to minimize the risks and costs of engaging in R&D and to increase the potential for innovation.<sup>82</sup> Concomitantly, the increased importance of technology coupled with the immense expense and difficulty involved in developing it also put a new premium on attracting FDI.<sup>83</sup> At the same time, dramatic improvements in transportation and communications technology greatly increased the ease of coordinating different aspects of the production process across large geographic distances, thereby allowing many MNCs to rely ever more on international subcontracting<sup>84</sup> and to simultaneously disperse production and R&D globally wherever it was geographically most advantageous.<sup>85</sup>

All of these global production changes were crucial to the course of the Cold War for two simple reasons: The Soviet Union and its allies were isolated from them; and they achieved their greatest salience among the Soviets' international competitors—the United States and its allies. Thus “globalization” was not global: It took sides in the Cold War. While U.S. and Western MNCs were increasing their opportunities for technological innovation and reducing the risks and difficulty associated with R&D through a greatly expanding web of

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81. For a good overview, see World Bank, *Global Economic Prospects and the Developing Countries* (Washington, D.C.: World Bank, 1997), pp. 36–37.

82. On the dramatic increase in interfirm alliances see, for example, John Dunning, “Reappraising the Eclectic Paradigm in an Age of Alliance Capitalism,” *Journal of International Business Studies*, Vol. 26, No. 3 (1995), pp. 461–491; Mytelka, *Strategic Partnerships*; and Kobrin, “Architecture of Globalization,” pp. 150–151. For example, one study of interfirm alliances in information technology and biotechnology found that from “a low of 6.5 in the 1970–75 period, the average number of agreements reported per year rose dramatically to 26.5 in the years 1976–79, quadrupling in 1980–83 to 110.8 and doubling once more in the 1984–87 period to reach a high 271.3.” Mytelka, “Crisis, Technological Change, and the Strategic Alliance,” p. 11. In turn, a variety of studies find that the complexity of technological development is the most important driving force behind the massive increase in interfirm alliances. See, for example, John Hagedoorn, “Understanding the Role of Strategic Technology Partnering: Interorganizational Modes of Cooperation and Sectoral Differences,” *Strategic Management Journal*, Vol. 14, No. 5 (July 1993), pp. 371–385; and Kobrin, “Architecture of Globalization,” pp. 150–151.

83. For a good overall discussion, see United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 1995: Transnational Corporations and Competitiveness* (Geneva: United Nations, 1995), pp. 148–169.

84. See UNCTAD, *World Investment Report, 1994: Transnational Corporations, Employment, and the Workplace* (Geneva: United Nations, 1994), pp. 143–145; and World Bank, *Global Economic Prospects*, pp. 42–45.

85. See, for example, UNCTAD, *World Investment Report, 1993: Transnational Corporations and Integrated International Production* (Geneva: United Nations, 1993); and John Dunning, *Multinational Enterprises and the Global Economy* (Reading, Mass.: Addison-Wesley, 1992).

international interfirm alliances during the 1980s, the Soviets were completely isolated from this trend.<sup>86</sup> While the United States and Western Europe were able to exploit the latest technologies and production methods from throughout the world because of rapidly increasing FDI inflows, the Soviets were largely dependent on autonomous improvements in technology and production methods.<sup>87</sup> And instead of being able to disperse production throughout the world to reap various efficiencies as the United States and its main allies—Japan, West Germany, France, and Britain—were able to do, the Soviets were forced to make almost all of their key components and perform nearly all of their production within the Eastern bloc.<sup>88</sup>

Of course, the Soviet Union had faced significant economic handicaps from the moment its foreign policy became equated with economic isolation in the 1920s. But these handicaps greatly increased in relative importance as the cost, complexity, and difficulty of technological development spiraled upward in the late 1970s and 1980s and as the globalization of production concomitantly accelerated. It is easy to see how isolation from the globalization of production increased the difficulty of keeping up with the West in terms of general economic and technological productivity, likely the key concern of many new thinkers. Less obvious is the fact that Soviet isolation from these global production changes *simultaneously* made it much more difficult to remain technologically competitive in the arms race—of foremost importance to old thinkers. Interfirm alliances in the 1980s were concentrated in those sectors with rapidly changing technologies and high entry costs, such as microelectronics, computers, aerospace, telecommunications, transportation, new materials, biotechnology, and chemicals.<sup>89</sup> At the same time, production appears to have been most

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86. The overwhelming majority (more than 90 percent, by many estimates) of interfirm alliances during the 1980s were located within the triad of Western Europe, Japan, and the North America. See Kobrin, "Architecture of Globalization," p. 150.

87. During the 1980s, the "annual average growth rate for FDI outflows reached 14 per cent." Geoffrey Jones, *The Evolution of International Business* (London: Routledge, 1996), p. 52. As the absolute level of FDI rose dramatically in the 1980s, the Soviets remained isolated from these flows, while the share of FDI based in Western Europe, the United States and Canada increased from 62 percent of the world total in 1980 to 70 percent in 1993. *Ibid.*, pp. 48, 54.

88. In combination, these five Western countries accounted for 74 percent of the total world FDI stock in 1980. *Ibid.*, p. 47. One reflection of the enhanced degree to which the production of U.S. MNCs became strongly integrated internationally during this period is that "the value of United States intra-firm exports increased by nearly two-thirds between 1977 and 1982 and by over 70 per cent between 1982 and 1989." UNCTAD, *World Investment Report, 1994*, p. 143. Another reflection of this trend is that the value of offshore outsourcing by the United States increased from U.S.\$48.8 billion in 1972 to U.S.\$356 billion in 1987; see World Bank, *Global Economic Prospects*, p. 45.

89. See, for example, Peter Dicken, *Global Shift: Transforming the World Economy* (New York: Guilford, 1998), p. 229; and Kobrin, "Architecture of Globalization," p. 150.

geographically dispersed in those sectors of manufacturing with high levels of R&D costs and significant economies of scale, such as machinery, computers, electronic components, and transportation.<sup>90</sup> These sectors read like a Who's Who of dual-use industries. Thus the very sectors that were becoming most internationalized in the 1980s were those that provide much of the foundation for military power in the modern era. For this reason, Soviet isolation from ongoing global production changes became a tremendous handicap relative to the West in the 1980s in the military realm.<sup>91</sup>

This analysis places the whole debate concerning technological lags and the end of the Cold War in a new perspective. As noted above, in the 1980s Soviet policymakers became increasingly concerned that their country was being left behind in the "scientific and technological revolution." Many scholars have long argued that these concerns helped to forge a confluence of interests between the political elite and elements of the defense-industrial sector on the general need to reorient Soviet foreign policy.<sup>92</sup> But this literature never explains why all this was happening in the 1980s and not earlier, when the technological lag also existed (as did the United States' efforts to exploit it), and why the Soviet Union's technological lag led to international economic opening rather than to the traditional Russian response: hunkering down and allocating increased resources away from consumers and toward technological development. Technology-driven global production changes help account for both anomalies: They greatly accelerated in the late 1970s and 1980s; and they made a "hunkering down" strategy prohibitive, thereby generating powerful incentives that affected security maximizers as well as welfare maximizers.

#### GLOBAL PRODUCTION SHIFTS AND THE CHANGE IN SOVIET FOREIGN POLICY

In the Soviet Union, there was a clear recognition at this time that the structure of global production was fundamentally changing. Soviet specialists saw that international economic linkages were increasing and changing qualitatively—in particular, that MNCs were becoming more significant and were leading to

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90. See World Bank, *Global Economic Prospects*, p. 42.

91. For a detailed analysis of this point, see Brooks, "The Globalization of Production and International Security," chap. 5.

92. For early recognition of the technological lag and its link to reform, see Bruce Parrott, *Politics and Technology in the Soviet Union* (Cambridge, Mass.: MIT Press, 1983). On the role of economic and technological imperatives in building consensus for reform, see, for example, Russell Bova, "The Soviet Military and Economic Reform," *Soviet Studies*, Vol. 40, No. 3 (July 1988), pp. 385–405; Herspring, *The Soviet High Command*; and Gaddy, *Price of the Past*.

the “internationalization of production.”<sup>93</sup> In his speech to the Twenty-seventh Party Congress in February 1986, Gorbachev noted that the reach of global firms had “gained strength rapidly. . . . By the early 1980s, the transnational corporations accounted for more than one-third of industrial production, more than one-half of foreign trade, and nearly 80 per cent of the patents for new machinery and technology in the capitalist world.”<sup>94</sup>

In response to the changed incentives noted above, analysts and, later, policymakers eventually concluded that it was necessary to increase Soviet access to MNCs and the global economy to try to prevent a severe erosion of the country’s technological capacity.<sup>95</sup> Even a hard-line conservative such as Valery Boldin clearly recognized that the Soviets were falling behind technologically in the 1980s and that this was in significant part due to “our lack of world experience, our country’s lack of access to world markets. . . . We stewed in our own juices for the simple reason that most of our electronics went to defense purposes, and defense was a completely closed sector.”<sup>96</sup> Thus when Secretary of State George Shultz, Secretary of the Treasury James Baker, and other U.S. officials lectured Gorbachev and Eduard Shevardnadze on the growing costs of Soviet isolation from the international economy, their arguments simply reinforced views that were already popular in Moscow.<sup>97</sup>

By the mid-1980s, even many Communist Party officials with impeccable defense-industrial credentials such as Prime Minister Ryzhkov and Lev Zaikov (the secretary on defense issues of the Central Committee) strongly supported greater integration to gain access to Western technology.<sup>98</sup> This stance on the part of such figures was important, given that they were more conservative in outlook than Gorbachev, not inclined toward market-based economic reform or strong efforts to improve consumer welfare, and ideologically insulated

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93. See Jerry F. Hough, *The Struggle for the Third World: Soviet Debates and American Options* (Washington, D.C.: Brookings, 1986), pp. 94–97.

94. Gorbachev, *Izbrannye rechi i stat'i*, Vol. 3, p. 192.

95. See, for example, the discussions in Jerry F. Hough, *Russia and the West: Gorbachev and the Politics of Reform* (New York: Simon and Schuster, 1988); Hough, *Opening up the Soviet Economy* (Washington, D.C.: Brookings, 1988); Edward A. Hewett and Clifford G. Gaddy, *Open for Business: Russia's Return to the Global Economy* (Washington, D.C.: Brookings, 1992); Cooper, “Soviet Technology and the Potential of Joint Ventures”; and Leonard Geron, *Soviet Foreign Economic Policy under Perestroika* (London: Pinter, 1990).

96. Skvortsov interview with Boldin.

97. On economics lectures by U.S. officials, see Don Oberdorfer, *The Turn* (State College: Pennsylvania State University Press, 1997).

98. Anders Aslund, *Gorbachev's Struggle for Economic Reform* (Ithaca, N.Y.: Cornell University Press, 1991), pp. 37–43.



from the appeals of pro-Western intellectuals. Indeed much evidence suggests that practical men such as these were actually well ahead of Gorbachev himself in calling for greater integration with the world economy in the early years of perestroika.<sup>99</sup>

To act on this assessment, however, policymakers had to confront the long-standing isolationist precepts of the old Soviet foreign policy. Because of the high political and ideological costs of doing so, Gorbachev's first impulse was to try to redress the growing technological gap with the West through "internal" means—specifically, "transfusions" of ideas and innovations from the defense-industrial sector to the civilian economy and, in turn, greater production linkages among Moscow's own socialist allies in the CMEA. By 1987, it was clear that this route was doomed to failure. Gorbachev soon learned that the Soviet military sector was not truly efficient; rather, it succeeded only by "cannibalizing" the civilian economy.<sup>100</sup> And it quickly became clear that increased production linkages within CMEA would bear little fruit, in significant part because no country in the Eastern bloc could match Western technology using indigenous sources.<sup>101</sup>

The serious push for international economic integration dates from the failure of Gorbachev's initial policy package. It was clear to Soviet policymakers that just enhancing "shallow" integration with the international economy would not be enough to reverse technological decline. Past efforts to rely just on "arms-length trade" and "passive technology transfers" (simply purchasing or stealing technology) had failed; it was consequently necessary to attract foreign direct investment, joint ventures, and other cooperative endeavors between Soviet and foreign MNCs.<sup>102</sup> This led to the decision in 1987 to legalize FDI within the Soviet Union for the first time since the 1920s. To be sure, initial Soviet moves regarding joint ventures were quite modest. But, as time progressed and as the nature of the country's technological lag became even more apparent, efforts to attract FDI expanded greatly. Whereas majority Soviet equity in joint ventures had initially been the "*sine qua non* of the Soviet leadership," in December 1988 majority foreign ownership (theoretically up to 99

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99. *Ibid.*, pp. 37–48.

100. Gaddy, *Price of the Past*, p. 56. Even conservative civilian officials shared Gaddy's assessment: Valery Boldin, for example, notes that "the military 'grabbed' not just what it needed, but often much more—and sometimes even everything there was." Skvortsov interview with Boldin.

101. See Adomeit, *Imperial Overstretch*, especially p. 227.

102. See, for example, Cooper, "Soviet Technology and the Potential of Joint Ventures," pp. 48–49; and Hough, *Russia and the West*, pp. 80–83.



percent) of joint ventures was permitted in an effort to greatly increase the Soviet Union's attractiveness as a site for foreign investment.<sup>103</sup>

Although the growing costs of Soviet isolation from the globalization of production played a key role in the move toward increased economic engagement, these pressures were most important because they increased the impetus to initiate retrenchment. For one thing, whereas most other countries that wanted to become more globally integrated in the 1980s merely had to change their economic policies, the Soviets also had to readjust their security strategy due to the West's policy of "economic containment."<sup>104</sup> There was a clear recognition within the Soviet Union that the only way to reduce these Western restrictions was by moderating foreign policy.<sup>105</sup> This not only increased the desire among new thinkers to initiate retrenchment but also made it easier to convince skeptical hard-liners. As one contemporary analyst noted, "The failure of economic autarky to produce high-technology, high-quality growth leaves them [hard-liners] without a convincing policy argument."<sup>106</sup> At the same time, Gorbachev and other reformers in favor of change could "plausibly say that reform was indispensable. They could say that Russia would not remain a great power unless the Soviet Union raised its technology to world levels, and they could say an opening to the West was necessary for that end."<sup>107</sup>

In marshaling support for change, Gorbachev and Shevardnadze highlighted the growing technological lag as a means of winning over skeptics. They cited the prospect of increased technology and capital from Western firms as an important benefit of foreign policy retrenchment.<sup>108</sup> Not all conservatives were convinced by this line of argument, though some (including

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103. Geron, *Soviet Foreign Economic Policy under Perestroika*, p. 47.

104. These Western restrictions on economic exchange with the Soviet Union are analyzed in Michael Mastanduno, *Economic Containment: CoCom and the Politics of East-West Trade* (Ithaca, N.Y.: Cornell University Press, 1992).

105. As Marshal Akhromeev told Secretary of State George Shultz at the December 1987 Washington summit: "My country is in trouble, and I am fighting alongside Mikhail Sergeevich to save it. That is why we made such a lopsided deal on INF, and that is why we want to get along with you. We want to restructure ourselves and to be part of the modern world. We cannot continue to be isolated." George P. Shultz, *Turmoil and Triumph: My Years as Secretary of State* (New York: Charles Scribner's Sons, 1993), pp. 1011–1012. See also Eduard Shevardnadze, "Doklad E.A. Shevardnadze," *Vestnik MID-SSSR*, August 15, 1988, pp. 27–48.

106. Hough, *Russia and the West*, p. 218.

107. Hough, *Opening up the Soviet Economy*, p. 25.

108. After spelling out the security gains from foreign policy retrenchment, Gorbachev noted in a comprehensive speech to workers in Kiev in February 1989: "Our foreign policy also serves the cause of perestroika in the sense that it clears the way for broader economic cooperation with the outside world and for the country to join in world economic processes." Gorbachev, *Izbrannye rechi i stat'i*, Vol. 7, p. 344. See also Shevardnadze, "Doklad E.A. Shevardnadze."

Boldin, Zaikov, Ryzhkov, Vitaly Vorotnikov, and perhaps even Sergei Akhromeev) appear to have been. The important point is that the growing costs of Soviet isolation from ongoing global production changes shifted the burden of proof to hard-liners to come up with a compelling argument for why the large potential economic gains from retrenchment were *not* worth pursuing. This is something they were unable to do.

Of course, some might argue that Gorbachev highlighted the growing technological lag with the West only for political reasons and that his true motivation instead was simply to open up the international economy to improve consumer welfare. The evidence on this score remains incomplete, but it certainly seems unlikely that redressing the Soviets' growing technological lag with the United States was Gorbachev's only motivation for seeking to dilute the Western economic containment policies. And it is difficult to believe that Gorbachev's underlying strategy was to use rapprochement to end Soviet economic isolation, reaping the benefits from the globalization of production and redressing the country's technological lag only to challenge the United States for military supremacy once again. Some hard-liners may have thought this was what Gorbachev was arguing (and, indeed, Gorbachev may have deliberately misled them on this score),<sup>109</sup> but it is hard to imagine that this is what he had in mind.

Even if Gorbachev was motivated completely by a desire to improve the commercial economy and consumer welfare, the fact that Soviet isolation from the globalization of production reduced the country's technological competitiveness is still of crucial importance. Soviet isolation from the globalization of production increased the difficulty of keeping up with the West technologically in general terms and also reduced the Soviets' competitiveness in key dual-use technologies. Given the punishingly high degree to which the Soviets were already pouring scarce economic resources—especially R&D—into the military, the possibility that this burden might increase even further was truly a frightening prospect for Gorbachev and many other policymakers.<sup>110</sup> By the mid-1980s, even important figures in the Soviet military shared this assessment. For example, Marshal Dmitry Yazov remembered reacting favorably to Gorbachev's portrayal of the problem at the April 1985 Central Committee ple-

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109. See Matthew Evangelista, "Norms, Heresthetics, and the End of the Cold War," *Journal of Cold War Studies* (forthcoming).

110. As Gorbachev notes, "Of 25 billion rubles in total expenditure on science, 20 billion went to the military for technical research and development." Gorbachev, *Memoirs*, p. 215. The most recent and best-researched study that documents this dilemma is Gaddy, *Price of the Past*.

num that followed his selection as general secretary. Yazov recalled: “There was nothing left for investment in the economy. It was necessary to think about reducing defense expenditures. It was necessary to think about more advanced technologies and about science-intensive production processes, etc.”<sup>111</sup>

If Gorbachev’s ultimate goal was to improve consumer welfare, the last thing he would want would be for even fewer economic and technological resources to be available for this purpose. In the end, the growing economic costs of Soviet isolation from the globalization of production created strong incentives for engaging in retrenchment irrespective of Gorbachev’s underlying motivations. And retrenchment made sense as a response to the growing costs of Soviet economic isolation even if taking this course did not make it possible for the Soviets quickly to enjoy the fruits of globalization. This helps to explain why the Soviets proceeded with major early shifts toward unilateral retrenchment even in the absence of solid guarantees of being able to join the Western international economic order and obtain technology and capital from Western MNCs.

### *Comparing New Thinkers and Old Thinkers*

Changed material conditions shifted the rules of the international political game against the old Soviet ways of doing things. The evidence indicates that changes in the structure of global production and Soviet relative decline both had a strong independent effect on Soviet decisionmakers. What is most significant, though, is that they had a powerful interactive effect: In combination, these two pressures undermined support for sustaining the foreign policy status quo and caused the logic of Soviet retrenchment to become extraordinarily compelling. This finding undermines existing ideational models of change, which are premised on the notion that shifts in ideas caused new Soviet strategies or interests independent of material change.

The fact that political actors during or after the event claim to have acted in response to changes in material pressures might conceivably reflect earlier changes in ways of thinking that led them to see these pressures in a new light. Or, even if their preferences did not change, Soviet decisionmakers’ beliefs about the world may have changed in other ways that relatively quickly led them to reevaluate which material shifts really mattered to them. Potential counterarguments such as these—which derive clearly from the basic precepts

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111. Skvortsov interview with Dmitry Yazov, December 16, 1998.

of constructivist and other ideational studies—demand that we go further and examine whether the meaning of the material pressures we analyzed above were strictly dependent on ideational changes. That is the purpose of this section. The evidence shows that both new and old thinkers tended to perceive similar material constraints—and both had to struggle to come to terms with them.

#### THE NEW THINKERS' AGONIZING REAPPRAISAL

Even for many reform-oriented policymakers, the process of renouncing old Soviet approaches was, as one new thinker put it, “an unbearably bitter and excruciating experience.”<sup>112</sup> For even the most progressive new thinkers in the leadership, such as Shevardnadze and Aleksandr Yakovlev, a complete abandonment of old stereotypes only occurred sometime in 1988–89; and all of them believed that Gorbachev’s own intellectual journey was slower than theirs.<sup>113</sup> Indeed, in hindsight many Soviet policy veterans castigate the Gorbachev leadership for moving far too slowly and hesitantly in reining in imperial expenditures.<sup>114</sup> Medvedev explains the delay by arguing that the “defense first” mentality was so deeply ingrained in all top Soviet decisionmakers that “only gradually, under the pressure of extremely acute economic problems, did the scales fall from our eyes. It became obvious that without a reduction in military expenditures, it would not be possible to resolve the urgent socioeconomic problems. This, to a large extent, stimulated the development of a new military doctrine and a new foreign policy aimed at stopping the arms race.”<sup>115</sup>

Also significant is that for most of the new thinkers, it took concrete, observable evidence of the material failings of their society to begin and complete an assault on the long-standing tenets of Soviet foreign policy. Indeed, in response to attacks from old thinkers in contemporary debates, many new thinkers cite such material failings to argue for the inevitability of retrenchment given objective realities.<sup>116</sup>

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112. Alexander Tsipko, in his preface to Alexander N. Yakovlev, *The Fate of Marxism in Russia* (New Haven, Conn.: Yale University Press, 1993), p. xvi.

113. Particularly illuminating on this score are Cherniaev, *Shest' let s Gorbachevym*; and Shakhnazarov, *Tsena svobody*.

114. See recollections in Ellman and Kontorovich, *Destruction of the Soviet Economic System*; and Gaidar, *Days of Defeat and Victory*.

115. Interview excerpted in Ellman and Kontorovich, *Destruction of the Soviet Economic System*.

116. Thus, for example, Shakhnazarov argues that economic costs constrained even the Brezhnev leadership from more forceful intervention in Poland in 1980–81. See his analysis of the documents of the Suslov Politburo Commission on Poland in *Tsena svobody*, pp. 112–118.

Finally, a clear theme in nearly all new thinkers' accounts is the Soviet Union's performance relative to its reference group, that is, the United States and its allies. No new thinker's memoir is complete without passages describing the revelatory effect of increased information about either living standards or the military-technological superiority of the West; nearly all accounts of change in mass and elite attitudes cite the powerful effect of this comparison.<sup>117</sup> Thus many analysts agree with Russian historian Aleksandr Shubin that it was the comparison to the West that "led to a sharp crisis in the national superpower self-consciousness."<sup>118</sup>

Demonstration effects were thus crucial, but they ultimately derived their importance because of Soviet observations of actual material conditions in the West. The lessons of specific experiences mattered, but they were reinforced by large-scale material shifts. The evidence also indicates that many policymakers and intellectuals who became idea entrepreneurs did so in part as they learned of the material failings of the Soviet system. And their ideas became saleable to those more skeptical about reform in significant part because they accorded with undeniable material trends.

#### OLD THINKERS FACE THE FACTS

If the meaning and consequences of the material pressures facing the Soviet Union depended on ideational shifts, then people with different ideas should have had dramatically different strategic reactions to observable indications of material change. But this was not the case: A critical mass of old thinkers in the military, defense industry, foreign ministry, Communist Party apparatus, and KGB saw essentially the same material constraints Gorbachev did, and so not only acquiesced to but were complicit in Gorbachev's strategic response. Before proceeding, it is useful to reemphasize that our focus is on the overall reorientation of Soviet foreign policy, not the collapse of the Soviet Union. This is essential, because when old thinkers criticize Gorbachev and argue that they would have done things differently, their focus is overwhelmingly on the breakup of the Soviet Union itself.

In addition, it is important to recognize that changing the Soviet Union's international course did not require conversion of all old thinkers into new-thinking enthusiasts; nor did it require that old thinkers support each detail of

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117. Representative examples include Brown, *Gorbachev Factor*; and Gorbachev, *Memoirs*. A stronger version is Shubin, *Istoki perestroiki*.

118. Aleksandr Shubin, "Sotsial'naia struktura SSSR v kaun perestroiki" [The social structure of the USSR on the eve of perestroika] *Otechestvennaia istoriia* [History of the fatherland], No. 4 (July–August 1997), p. 143.

each specific foreign policy decision. Rather it required the acquiescence—grudging or otherwise—of hundreds of old-thinking high officials whose expertise and authority were necessary to implement Moscow’s fundamental change of course. We will never know precisely to what extent old thinkers actually wanted to engage in retrenchment due to the free-rider problem: Old thinkers did not need to take the lead on this issue because plenty of other policymakers were already doing so. Some appear to have concluded that retrenchment was necessary, while others clearly objected to this general course. The central issue is not whether old thinkers played a major role in the initiation of retrenchment, but rather whether they were going to expend any political capital to try to prevent it.

Most social science theory would predict massive opposition to Gorbachev’s foreign policy. A major theme in the political science literature on Soviet politics concerns the deeply embedded institutional barriers to any major policy change.<sup>119</sup> After all, Gorbachev was taking on a formidable array of special interests representing perhaps a quarter of the country’s economic activity. Constructivism and social psychology would expect fierce resistance to Gorbachev’s assault on some of the political elite’s most cherished ideological precepts. Against this baseline expectation, what is most striking about the evidence that has come to light so far is the haphazard, ineffectual, belated, and intellectually weak nature of the opposition to Gorbachev’s overall course in world affairs.

To be sure, the Soviet Union’s domestic structure and Gorbachev’s leadership qualities helped defuse opposition to retrenchment.<sup>120</sup> Defense and military-industrial elites sought to defend their bureaucratic turf and budgetary allocations as best they could; they resisted loss of decisionmaking authority; and clearly they were more troubled by the course of events than were the new thinkers. In the final analysis, however, traditional thinkers faced an uphill battle because they could not credibly deny the existence of the basic material trends to which Gorbachev claimed to be responding.

The extraordinary feature of the new evidence concerning Soviet conservatives and hard-liners is not that many of them opposed specific concessions to the West (especially regarding arms control, such as the inclusion of the “Oka” missile in the Intermediate-Range Nuclear Forces (INF) talks, counting rules for strategic missiles on bombers, etc.), but that so many of them accepted the

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119. See, for example, Philip Roeder, *Red Sunset: The Failure of Soviet Politics* (Princeton, N.J.: Princeton University Press, 1993); and Stone, *Satellites and Commissars*.

120. See, for example, Evangelista, *Unarmed Forces*; and Brown, *Gorbachev Factor*.

basic picture of the crisis facing the country outlined by Gorbachev. As Aleksandr Savel'yev and Nikolai Detinov recount in their discussion of the Soviet concessions on the Strategic Arms Reduction Treaty (START) negotiations, "In judging the impact of any compromise from the Soviet standpoint, we cannot ignore the obvious facts. The pressure of military expenditures necessary for building and maintaining huge armed forces had become an exorbitant burden for the country. This fact was clear to Soviet leaders, who had witnessed such a situation and knew it too well. Decisions had to be reached—and, in practice, these decisions were achieved as before: through an agreed view of all the participants in the process."<sup>121</sup>

Because they wish to blame Gorbachev for the Soviet collapse, conservative policy veterans have strong incentives to argue in hindsight that Moscow had ample capability to continue the rivalry. It is therefore striking that even in hindsight, most hold that Moscow could not sustain the Cold War status quo.<sup>122</sup> This is true even of people who represented sectors with powerful interests in the status quo.

An important but typical example is Marshal Yazov, a key participant in the August 1991 anti-Gorbachev putsch. When asked in a recent interview whether the Soviet Union had to get out of the Cold War, Yazov responded: "Absolutely. . . . We simply lacked the power to oppose the USA, England, Germany, France, Italy—all the flourishing states that were united in the NATO bloc. We had to seek a dénouement. . . . We had to find an alternative to the arms race. . . . We had to continually negotiate, and reduce, reduce, reduce—especially the most expensive weaponry."<sup>123</sup>

Another important example is Marshal Akhromeev. When the August putsch collapsed, Akhromeev hanged himself in his Moscow apartment, leaving a note that said: "Everything I have worked for has been destroyed." This is not a man who had undergone a deep intellectual shift toward new thinking. Yet before the Soviet collapse, he wrote with his friend and fellow traditionalist former First Deputy Foreign Minister Georgy Kornienko that "all who knew the real situation in our state and economy in the mid-1980s understood that Soviet foreign policy had to be changed. The Soviet Union could no longer continue a policy of military confrontation with the United States and

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121. Savel'yev and Detinov, *The Big Five*, p. 161.

122. This generalization is reflected in Ellman and Kontorovich's analysis of more than seventy memoirs in "The Collapse of the Soviet System and the Memoir Literature," and substantiated by our own review of memoirs and interviews that became available subsequently.

123. Skvortsov interview with Dmitry Yazov, March 11, 1999.



NATO after 1985. The economic possibilities for such a policy had been exhausted."<sup>124</sup>

These two men not only made such statements after the fact, but they acted in accordance with these beliefs as chief of the Soviet general staff and Gorbachev's military aide (Akhromeev) and minister of defense (Yazov). The same goes for a very long list of old thinkers, including many KGB staffers<sup>125</sup> and technocratic party conservatives of the Ligachev and Ryzhkov variety.<sup>126</sup> For example, at a session of the Big Five coordinating committee on arms policy that discussed Soviet concessions on START, Igor Belousov (head of the Military-Industrial Commission after 1988) noted that "we need START like we need bread and water. Our economy is nearly broken and we cannot stand the arms race. We are in an economic dead end. We can accept a 2:1 disadvantage—not only that, we could take worse, given the economic situation."<sup>127</sup>

In memoir after memoir, formerly loyal party men recall how knowledge of the Soviet Union's material decline sapped their esprit de corps, caused them to question old verities, and weakened their ability to respond to the arguments and analyses of new-thinking intellectuals.<sup>128</sup> In one sense, this finding is not surprising. After all, the Brezhnev, Andropov, and Chernenko Politburos had fretted over Soviet relative decline in the early 1980s. It was hard to make the case in the latter part of the decade that the situation had somehow turned around.

This is not to say that traditionalists were at the forefront in calling for foreign policy restructuring. In his own account, Akhromeev claims to have been a key initiator of the move toward unilateral retrenchment and defensive re-

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124. Sergei F. Akhromeev and Georgy M. Kornienko, *Glazami marshala i diplomata: kriticheskii vzgliad na vneshniuiu politiku SSSR do i posle 1985 goda* [Through the eyes of a marshal and a diplomat: A critical look at the foreign policy of the USSR before and after 1985] (Moscow: Mezhdunarodnye otnosheniia, 1992), pp. 314–315.

125. Leonov, *Likholet'e*, is a revealing source here.

126. We have in mind officials such as Boldin, Belousov, Zaikov, and Vorotnikov. Illuminating sources on this score include Savel'yev and Detinov, *Big Five*; Vorotnikov, *A bylo eto tak*; Gaddy, *Price of the Past*; and Skvortsov interviews with Boldin and Yazov, December 16, 1998. See also the documents revealing Ligachev and Ryzhkov arguing for greater concessions on INF, in NSA, *Understanding the End of the Cold War*, doc. no. 32. Further evidence is analyzed in Wohlforth and Brooks, "Material Incentives and the End of the Cold War."

127. From handwritten notes of Ambassador Yuri Nazarkin, as quoted at the Mershon Center conference "The End of the Cold War: Arms Control and Regional Conflicts," at the Ohio State University, September 1999. The Big Five comprised representatives of the ministries of defense and foreign affairs, the Central Committee, the KGB, and the general staff.

128. For a review of two dozen memoirs in which this theme recurs, see Paul Hollander, *Political Will and Personal Belief: The Decline and Fall of Soviet Communism* (New Haven, Conn.: Yale University Press, 1999).

structuring.<sup>129</sup> Some analysts, however, doubt whether he played such a role.<sup>130</sup> It is certainly true that Akhromeev eventually came to be troubled by the West's failure to quickly reciprocate the Soviets' unilateral initiatives—hardly a surprising reaction from a career military officer. In the end, what is of fundamental importance is not whether Akhromeev and other traditionalists helped initiate these changes, but that they did nothing substantial to block the overall course of Gorbachev's foreign policy reforms and that many of them actively aided and abetted it. In discussing Gorbachev's unilateral reduction of a half-million troops announced at the United Nations in December 1988, Yazov recounts that Gorbachev did in fact consult with the military before taking this step, adding "We even gave him the data. It was a reasonable, well-founded step." More generally, Yazov notes that "we [the military] did not oppose reductions in military forces and weapons. . . . In other words, there was no conflict whatsoever between the political leadership and the military. . . . Moreover, we agreed to a reassignment of a whole series of defense enterprises to civilian production."<sup>131</sup>

However much Gorbachev's fiercest critics opposed some of what Gorbachev was saying and doing, they could not deny the existence of at least some of the critical material trends that undermined the foreign policy status quo, particularly after 1988. An important example on this point is Oleg Baklanov, the Central Committee secretary for defense industry. Few leaders had as much to lose from Gorbachev's reforms as Baklanov. He consequently was a harsh contemporary critic of Gorbachev's foreign policy initiatives and has remained one since. Not surprisingly, Baklanov tried to undermine Gorbachev's call in the late 1980s for reducing the burden of defense spending by arguing that the military absorbed less than 12 percent of economic output—a figure far below Gorbachev's estimate of 20 percent. Later, however, when questioned by fellow conservative Valery Boldin, even Baklanov allowed that the figure may have been as high as 15 percent.<sup>132</sup> At any rate, the key issue is whether Baklanov's assertion that the military was not a massive burden on the economy was plausible to other decisionmakers, given the information at their disposal. As was discussed earlier, his claim was clearly not compelling. While Baklanov was deeply opposed to Gorbachev's foreign policy initiatives,

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129. Akhromeev and Kornienko, *Glazami marshala i diplomata*.

130. See, for example, Evangelista, *Unarmed Forces*.

131. Skvortsov interview with Yazov, December 16, 1998.

132. See Skvortsov interviews with Baklanov (n.d.) and Boldin.

he was ultimately unable to make a case that the increasing material pressures on Soviet foreign policy that Gorbachev was pointing to were illusory. He consequently made little headway in blocking retrenchment.

An additional important example is KGB chief Vladimir Kryuchkov, another hard-liner who was a critical organizer of the 1991 putsch. Kryuchkov could not deny that the Soviet Union “seriously lagged behind in the scientific-technological revolution.”<sup>133</sup> After all, he knew how much the Politburo allocated for industrial espionage. The argument that “we can always steal from the West” is not a particularly effective rebuttal to the sorts of arguments Gorbachev and his supporters were making, especially given that “passive” technology transfers (illegal or otherwise) were of declining marginal utility.<sup>134</sup> As former KGB Col. Vladimir Putin reports, agents involved in industrial espionage abroad became increasingly frustrated by the repeated inability of the Soviet economy to absorb the fruits of their labor.<sup>135</sup>

The overall pattern of evidence that has emerged concerning Soviet old thinkers can be explained only in light of the material trends examined above, which undermined opposition to retrenchment by helping to break up the intellectual coherence of the old approach. In the end, old thinkers simply could not deny the existence of the rapidly mounting material pressures on the Soviet Union’s foreign policy. The argument frequently turned from “no concessions or cuts are needed” to “concessions and cuts may be needed, but not this one in particular.” Each special interest tried to defend itself while admitting, or acquiescing to, the general need for change. Adding up these particular objections did not by itself amount to a plausible general alternative to retrenchment. As much as they opposed specific concessions, old thinkers had trouble coming up with a compelling strategic alternative. In the end, any old thinker who wished to forward an alternative to retrenchment faced daunting odds.

### *Conclusion*

Scholars who have recently contributed to the literature on the role of ideas in world politics are right to emphasize that material incentives always leave un-

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133. Skvortsov interview with Vladimir Kryuchkov, October 13, 1998.

134. See the discussion in Brooks, “The Globalization of Production and International Security,” chap. 5.

135. Vladimir V. Putin, with Natalya Gevorkyan and Andrei Kolesnikov, *First Person: An Astonishingly Frank Self-Portrait by Russia’s President*, trans. Catherine A. Fitzpatrick (New York: PublicAffairs, 2000), p. 86.

certainty. To improve our understanding of how and to what degree ideas shape international behavior, however, we need an estimate of *how much* uncertainty characterizes various strategic situations given material incentives. A key problem with the large literature that examines how ideas influenced the Cold War's end is that it has developed in the absence of an accurate understanding of the material constraints facing Soviet policymakers in the 1980s.

In this article, we consequently aimed to provide a more complete understanding of the material pressures confronting Soviet policymakers and how those changing incentives influenced decisionmaking. In so doing, we brought three new factors to bear. First, we introduced a new and key shift in the material environment—the changing structure of global production. Second, we provided a more in-depth understanding of how Soviet relative decline influenced Moscow's strategic choices. Third, we examined new sources of evidence concerning Soviet old thinkers and how their responses to material pressures compared with those of other policymakers.

In reviewing this evidence, our general finding is that material conditions undermined old Soviet ways of doing things to a much greater extent than scholars have recognized. As the material pressures on Soviet foreign policy became more significant, Gorbachev became increasingly disposed to undertake a radical shift toward retrenchment. All Soviet decisionmakers were not of course equally enthusiastic about a fundamental reorientation of the country's foreign policy, and many were opposed. The escalating economic costs of maintaining the foreign policy status quo, however, systematically undercut the ability of Gorbachev's critics to come up with a compelling general foreign policy alternative.

Our conclusion that material incentives systematically undermined alternatives to retrenchment does not foreclose important pathways by which ideas may have altered behavior. In fact, the clearer picture of material constraints that we provide leaves open a number of potential roles for ideational factors in the end of Cold War that may be clarified in future research. If our research withstands the test of further releases of new evidence, the examination of the role of ideas in this case may move away from analyzing why the Soviets opted for a fundamental reorientation of their foreign policy and shift instead toward examining different questions for which ideational models may prove to have much greater utility. In particular, future research may reveal that ideational factors are very important in explaining more finely grained decisions. It would be easy to caricature our analysis as one that views material pressures as leading to one and only one set of foreign policy decisions

throughout the entire Cold War endgame. Our analysis should not be interpreted to mean that there were no differences between new and old thinkers—or that representatives of these orientations would have responded identically to each strategic incentive. We do not claim—no responsible analyst can—to account for each microanalytical decision or bargaining position adopted during the Cold War endgame. By outlining a more complete portrayal of the material conditions facing Moscow in this period, what our analysis does provide is the basis for a more productive dialogue concerning how ideas and material incentives interacted in more finely grained decision problems.

Beyond the end of the Cold War case, what are the more general theoretical implications of our analysis? It is certainly true that Soviet elites and leaders invested heavily in new ideas, and it is clear that the shift in worldviews they experienced in the 1980s was accompanied by personal anguish and political struggle. However, just because intellectual shifts are observed to be strongly in evidence and in turn policy changes dramatically, it does not necessarily follow that these shifts played a key causal role. This is a crucial point that is often overlooked in much recent empirical scholarship on the role of ideas in international relations. Establishing a strong, independent role for ideas will be particularly difficult when material constraints are especially significant and when there is relatively little lag between material and policy changes—as was the case with respect to Soviet retrenchment. It is precisely for this reason that scholars who focus on ideas are so driven to claim that the material environment facing the Soviets did not change much in the 1980s—a claim we showed to be unsustainable. Although more research is needed, in our judgment many of the basic causal mechanisms that are featured in ideational models of this case are to a significant degree endogenous to material changes.

In advancing this endogenization point, we are not suggesting that ideas are just hooks, or that all phenomena can be reduced to material underpinnings. Our point is simply that scholars who focus on ideas need to consider more carefully whether the origins and impact of the intellectual shifts they highlight are endogenous to a changing material environment. This key endogeneity issue has been ignored or marginalized in recent empirical work on ideas in international relations. This problem is hardly uncommon in social science inquiry, and it is not always easy to deal with, but it must be confronted more forthrightly if the study of ideas in international relations is to move forward.

This raises a related theoretical point. Particularly for many constructivist scholars who have examined this case, the reorientation of Soviet foreign pol-

icy is understood to have gone beyond a simple change of policy, but rather involved what they would view as a change in the Soviets' fundamental interests, or indeed in the Soviet identity itself. Whether this is true is very hard to tell. For one thing, exactly what a state identity consists of is extremely vague within the constructivist literature.<sup>136</sup> In turn, in many constructivist analyses, identities are understood to be exogenous, given, and stable, which leads one to wonder how they can also be subject to abrupt changes and yet still have many of the effects that constructivists posit they do. Finally, in situations in which material incentives shift dramatically prior to a change in policy—as occurred in this case—it will be very difficult to distinguish between a change in strategy or behavior and a change in fundamental interests or identity.

If this case can, in fact, be characterized as a change in the Soviets' fundamental interests or of the Soviet identity itself, then what are the more general theoretical implications of our analysis? The most important is that we should not necessarily be too quick to endorse a staged method of inquiry—whereby, as many scholars have recently suggested, constructivists can first explain why shifts in identities and fundamental interests occur and then “pass the baton” to theorists who focus largely on material incentives in the environment.<sup>137</sup> This suggestion is premature at best, given that constructivists have yet to systematically address how identities and fundamental interests actually do change.<sup>138</sup> International relations scholars typically assume that focusing on material incentives in the international environment cannot be helpful for explaining how changes in fundamental goals or identities occur.<sup>139</sup> Although it is true that scholars who highlight material incentives typically assume fixed preferences, there is no reason to think that changing material incentives in the

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136. On this point, see James D. Fearon, “What Is Identity (As We Now Use the Word)?” unpublished manuscript, University of Chicago, 1997.

137. Numerous scholars have endorsed this staged approach in recent years. See, for example, Jeffrey Checkel, “The Constructivist Turn in International Relations Theory,” *World Politics*, Vol. 50, No. 2 (January 1998), p. 346; Katzenstein, Keohane, and Krasner, “International Organization at Its Golden Anniversary,” p. 682; John G. Ruggie, “What Makes the World Hang Together? Neo-Utilitarianism and the Social Constructivist Challenge,” *International Organization*, Vol. 52, No. 4 (Autumn 1998), pp. 866–867; and Alan Lamborn, “Theory and the Politics in World Politics,” *International Studies Quarterly*, Vol. 41, No. 1 (June 1997), p. 205.

138. A point that is stressed by Checkel, “The Constructivist Turn in International Relations Theory,” p. 344.

139. One prominent exception to this general perspective is Paul Kowert and Jeffrey W. Legro, “Norms, Identity, and Their Limits: A Theoretical Reprise,” in Katzenstein, *The Culture of National Security*, pp. 490–491.

environment cannot at least sometimes help explain shifts in actors' fundamental interests and/or in their very identities. When analyzing specific cases, constructivists themselves sometimes make brief throwaway arguments along these lines, but have so far been unwilling to explore this point in any depth.<sup>140</sup>

In the end, we can only know where the world of ideas begins if we know what international behavior can be explained by changing material incentives. Because ideas are not directly observable, some of the best evidence in favor of ideational arguments is often the existence of a poor fit between changes in material incentives and evolving state behavior. Ironically, to better understand the role of ideas, there is thus a strong need for scholars to develop a more useful conception of how material incentives in the international environment affect state behavior. In clarifying the role that material incentives played in the reorientation of Soviet foreign policy, we hope that this analysis will make it possible to further the dialogue concerning the role of ideas in the end of the Cold War and in international relations more generally.

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140. See, for example, Wendt, *Social Theory of International Politics*, p. 129; Wendt, "Anarchy Is What States Make of It," p. 420; Herman, "Identity, Norms, and National Security," p. 277; and Mlada Bukovansky, "American Identity and Neutral Rights from Independence to the War of 1812," *International Organization*, Vol. 51, No. 2 (Spring 1997), p. 217.