

# 9 Economic Constraints and the End of the Cold War

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DEBATES ABOUT HOW the various causes of great events interact cannot be resolved conclusively, but neither can they be avoided. All arguments about the implications of the Cold War's end for both policy and international relations theory hinge on rendering some judgment about how changing economic constraints affected this seminal event. Although scholars have spent a great deal of intellectual energy tracing the effects of ideas and leaders, comparatively few studies rigorously analyze how economic shifts independently influenced the final years of the U.S.-Soviet rivalry.<sup>1</sup> The Endgame conference illustrates this problem. James Baker opened the conference with an analysis that highlighted Soviet economic decline and geopolitical exhaustion, yet the subsequent discussions focused on the interaction between leaders, changing ideas, and domestic politics.

Participants, observers, and scholars are convinced that these factors all conspired to end the Cold War. But the analysis of how they interacted is hamstrung by imprecision. The standard approach is to show that because some cause did not wholly determine the outcome, some other cause "matters." The problem is that no one actually claims that any single factor is both necessary and sufficient to explain the end of the Cold War. Unfortunately, scholars routinely succumb to what we have elsewhere termed the "strawman bias": they are led to misrepresent others' work as deterministic in order to showcase the significance of their otherwise unremarkable finding that some cause mattered in explaining a complex outcome.<sup>2</sup> The result is debate in which scholars regularly impute to others clearly untenable claims that some factor wholly determines an outcome, which they then debunk with evidence that another factor actually played a role. Against this confused backdrop, it is no wonder that scholars increasingly question whether qualitative research on important cases like the end of the Cold War can add to our general knowledge of international relations.

1. See Stephen G. Brooks and William C. Wohlforth, "Power, Globalization and the End of the Cold War: Reevaluating a Landmark Case for Ideas," *International Security* 25, no. 3 (2000/2001): 5-7.

2. For a discussion of the strawman bias, see Stephen G. Brooks and William C. Wohlforth, "From Old Thinking to New Thinking in Qualitative Research," *International Security* 26, no. 4 (spring 2002).

We seek to move beyond this standard practice by analyzing the role of economic constraints in a probabilistic manner. Our central finding is that the rapidly escalating economic costs of maintaining the Soviet Union's international position made the Cold War's end on American terms the most likely outcome. Elsewhere, we have demonstrated this finding by carefully sifting through general patterns of evidence concerning this case.<sup>3</sup> Here, our main goal is to evaluate the most influential arguments against the explanatory power of economic constraints in this case. These objections are featured in the chapters by the other scholarly contributors to this volume, and they all entail careful consideration of counterfactual arguments. We find that these rebuttals do not undercut the major implication of the new evidence on economic constraints and superpower decision making. The problem is that these scholars' counterfactual arguments also suffer from the strawman bias: in the end, they only succeed in showing that the actual outcome was not the only possible outcome.<sup>4</sup> Such an argument works only against a deterministic claim concerning a specific event, which, again, no social scientist ever advances. Here, we seek to address these counterfactuals in a more realistic manner; that is, probabilistically.

We proceed in three main sections. First, we briefly review the nature of the economic constraints facing the Soviet Union during the final phase of the Cold War. Second, we provide a concise portrayal of how our probabilistic conception of the causal effect of economic constraints actually works—that is, how economic incentives pushed events in certain overall directions without determining them. Third, and most important, we analyze the major objections to our analysis and the counterfactual arguments they imply. We conclude that on currently available evidence, economic constraints were more than necessary but less than sufficient to explain the end of the Cold War. Rather, they made Soviet retrenchment the most likely response.

### **Soviet Decline, Globalization, and the Cold War Endgame**

Despite the ambiguity plaguing the literature on the end of the Cold War, there has been marked progress in scholars' knowledge of economic con-

3. Brooks and Wohlforth, "Power." We provide further discussion of the probabilistic nature of our findings in Brooks and Wohlforth, "From Old Thinking to New Thinking."

4. This problem concerns not only the use of counterfactuals in analyzing the end of the Cold War, but also more general treatments of the use of counterfactuals in international relations. See, for example, Richard Ned Lebow, "Contingency, Counterfactuals, and International Systems Change," *Political Science Quarterly* 115, no. 4 (winter 2000/2001): 591-619.

straints in this case. In the early 1990s, the conventional wisdom was that Soviet material decline was small or nonexistent, and consequently had little causal weight in the end of the Cold War.<sup>5</sup> A second wave of empirical scholarship that emerged in the mid-1990s revised the conventional wisdom. Most now agreed that the Soviet material decline had actually been quite significant beginning in the early to mid-1980s and that it did play a significant causal role.<sup>6</sup> Still, most held that while decline played an important role in prompting a major shift in Soviet foreign policy, the resulting policy change could have just as easily been toward aggression or a new version of muddling through, and so other factors must have played the key role in resolving this uncertainty. This is essentially the position taken in Chapters 7 and 8 herein.

One problem with this view is that we now have much better data about the economic constraints on the Soviet Union, all of which indicate that they were much more pressing than scholars realized in the mid-1990s. In particular, decline began earlier, progressed faster, was far more pronounced, and had far greater effects on policy deliberations than scholars assumed. Moreover, it is now apparent that changes in the world economy—especially the globalization of production—dramatically changed the incentives facing Moscow in the 1980s. In the subsections that follow, we review the basic nature of this evidence.

### *Decline*

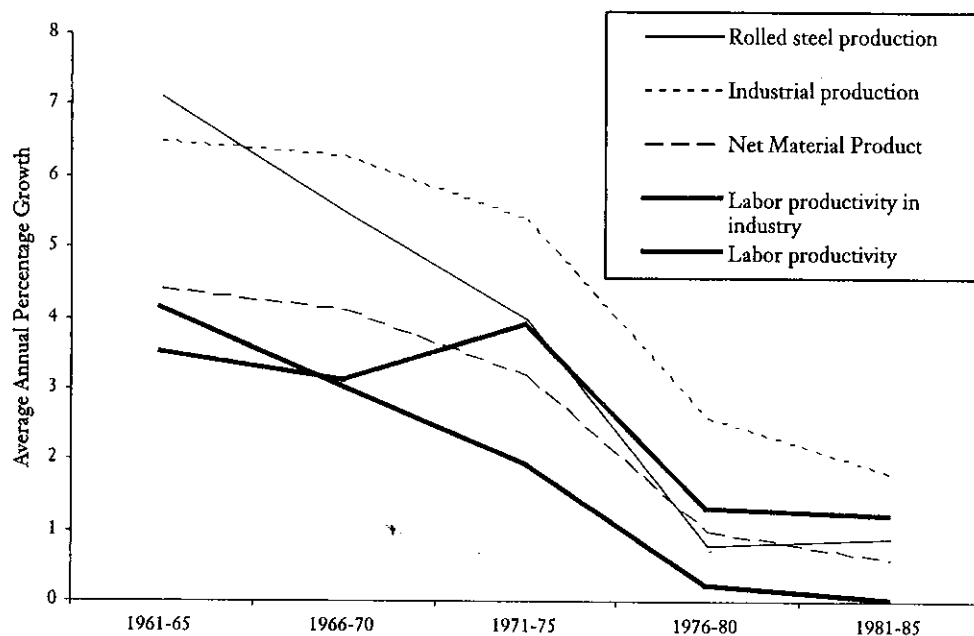
The Soviet economy grew at impressive rates in the 1950s and registered respectable performance in the 1960s, but in the second half of the 1970s it entered an acute decline from which it never recovered.<sup>7</sup> By the time Mikhail Gorbachev became general secretary in 1985, the Soviet Union had grown on average at least 1–2 percent slower than the United States over the preceding decade.<sup>8</sup> And U.S. allies such as Germany and Japan were also growing

5. See, for example, Charles Kegley, "The Neoidealist Moment in International Studies? Realist Myths and the New International Realities," *International Studies Quarterly* 37, no. 2 (June 1993).

6. See, for example, Coit D. Blacker, *Hostage to Revolution: Gorbachev and Soviet Security Policy, 1985–1991* (New York: Council on Foreign Relations, 1993), and William Wohlforth, "Realism and the End of the Cold War," *International Security* 19, no. 3 (winter 1994/95).

7. See Brooks and Wohlforth, "Power," 14–20, and sources cited therein.

8. One percent is the CIA's calculation, reported in Joint Economic Committee, U.S. Congress, *Measures of Soviet Gross National Product in 1982 Prices* (Washington, D.C.: U.S. Government Printing Office, 1990). Two percent is the estimate of Russian economist G. I. Khanin, in "Ekonomicheskii rost: Alternativnaya otsenka" [Economic growth: An alternative estimate], *Kommunist* 17 (November 1988): 83–90. Analysts agree that official data vastly overstated Soviet economic performance. Most now also agree that the CIA's estimates, which were based on a complex reworking of official data, significantly overstated Soviet output. Most



SOURCES: Gertrude E. Schroeder, "The Slowdown in Soviet Industry, 1976-1982," *Soviet Economy*, Vol. 1, No. 1 (January-March 1985), pp. 42-74; Boris Z. Rumer, *Soviet Steel: The Challenge of Modernization in the USSR* (Ithaca, N.Y. Cornell University Press, 1989); and G. I. Khanin, "Ekonomicheskiy rost: Alternativnaia otsenka" [Economic growth: An alternative estimate]. *Kommunist* No. 17 (November 1988), pp. 83-90.

FIGURE 1. *The Soviet Decline*

rapidly, making Moscow's relative decline all the more salient. The entire Soviet economic system was geared toward increasing such industrial-age metrics as steel production. Yet as Figure 1 shows, even those indices declined precipitously after 1976. Meanwhile, the country's long-standing *qualitative* lag increased in exactly this period, with the productivity of research and development (R&D) and technological progress both declining.<sup>9</sup> Compounded over time, an economic growth lag of 1-2 percent below the United States would have devastating effects on the Soviets' ability to keep up with

important, CIA estimates dramatically underreported the severity of the decline that preceded Gorbachev and accelerated during his leadership. See Vladimir Kontorovich, "Economists, Soviet Growth Slowdown and the Collapse," *Europe-Asia Studies* 53, no. 5 (July 2001): 675-95.

9. See Vladimir Kontorovich, "Technological Progress and Research and Development," in Michael Ellman and Vladimir Kontorovich, eds., *The Disintegration of the Soviet Economic System* (New York: Routledge, 1992). A good assessment of the military implications of this technological lag is Central Intelligence Agency, Directorate of Intelligence, "The Soviet Defense Industry: Coping with the Military-Technological Challenge," SOV-87-10035DX (July 1987), declassified and made available on CD-ROM by the CIA's Center for the Study of Intelligence.

their Cold War competitors. Considering U.S. allies as well as the growing technological lag made the equation much worse. And with each passing year, it would become harder for the Soviets to match U.S. capabilities.

The causes of Soviet decline continue to be debated, but there is widespread agreement that an important part of the explanation lies in the large and growing costs of the Soviet Union's international position. As Vladimir Kontorovich sums up, "The achievement of strategic parity with the west and the macroeconomic stagnation, or decline, in the late 1970s to early 1980s, are strongly related."<sup>10</sup> Defense claimed a massive proportion of Soviet resources. Despite daunting measurement problems, different sources converge around an estimate 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>11</sup> By any comparative standard, this is a punishingly high peacetime commitment to military power. Not only was the defense burden high, but it was generally rising from the mid-1970s on.<sup>12</sup> And these quantitative measures, as dramatic as they are, fail to capture the fact that the Soviet military-industrial complex had a priority claim on scarce qualitative resources, such as high-technology and R&D expertise.<sup>13</sup> Moreover, defense allocations were only part of the story. 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>14</sup> At the beginning of the 1980s, the Central Committee estimated Soviet spending on foreign aid alone at 2 percent of GDP.<sup>15</sup> And, as we shall discuss in more detail, the costs of Moscow's East European dependencies began to escalate in the late 1970s and early 1980s.

Two critical conclusions emerge from this discussion. First, the Soviet Union was in a state of severe relative decline beginning in the second half of

10. Ellman and Kontorovich, *The Disintegration of the Soviet Economic System*, 9.

11. See Noel E. Firth and James H. Noren, *Soviet Defense Spending: A History of CIA Estimates, 1950–1990* (Houston: Texas A&M Press, 1998), for the CIA estimate of around 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.: The Brookings Institution, 1997), chap. 1.

12. See Brooks and Wohlforth, "Power," 24.

13. As Gorbachev notes, "Of 25 billion rubles in total expenditure on science, 20 billion went to the military for technical research and development." Mikhail Sergeevich Gorbachev, *Memoirs*, trans. from the German edition by Wolf Jobst [which was translated into German from the Russian original by Georges Peronansky and Tatjana Varsavsky] (New York: Doubleday, 1995), 215.

14. Firth and Noren, *Soviet Defense Spending*, 134.

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

the 1970s. Second, declining Soviet economic performance was to a significant degree a reflection of the international environment. The Soviet Union's position as one pole in a bipolar system, and as a formal challenger to the U.S.-dominated international status quo, imposed massive and growing burdens on a Soviet economy that was in desperate need of renewed growth. Moreover, 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. And this brings us to a second critical economic shift that influenced the course of the Cold War competition.

#### *The Changing Structure of Global Production*

As inefficiencies mounted in the Soviet economy during the 1970s, the global economy was concomitantly undergoing important transformations that served greatly to accelerate the opportunity cost of the Soviets' international economic isolation. Underlying these transformations were two interrelated technological shifts that accelerated in the late 1970s and early 1980s: the massively increased cost, risk, complexity, and importance of technological development; and dramatic improvements in transportation and communications technology. The escalating cost and importance of technological development created strong incentives for crucial shifts in the structure of global production that, in turn, were facilitated by cheaper and better transport and communications. Four shifts in the structure of global production were especially 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 growing opportunity cost of being isolated from foreign direct investment (FDI); (3) the increase in international outsourcing; and (4) the enhanced efforts by many global firms to break up the value-added chain and locate different parts of the production process in countries that offer the greatest locational advantages.<sup>16</sup>

The Soviet Union and its allies were almost completely isolated from these global production changes, which achieved their greatest salience among

16. For thorough reviews of these changes in the structure of global production, and the role of technological shifts in producing them, see Stephen G. Brooks, “The Globalization of Production and International Security” (Ph.D. diss., Yale University, 2001), chap. 4.

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 multinational corporations (MNCs) could exploit a greatly expanding web of international interfirm alliances during the 1980s to increase their opportunities for technological innovation and reduce the risks and difficulty associated with R&D, the Soviets were completely isolated from this trend.<sup>17</sup> While rapidly increasing FDI inflows allowed the United States to gain access to the latest technologies and production methods from throughout the world, the Soviets were largely dependent on autonomous improvements in technology and production methods.<sup>18</sup> And instead of being able to disperse production throughout the world to reap various efficiencies as firms from the United States and its main allies—Japan, West Germany, France, and Britain—were able to do, Soviet enterprises were forced to generate almost all of their key components and production within the Eastern bloc.<sup>19</sup>

While relative Soviet autarky was a staple feature of the Cold War that had long entailed significant economic handicaps for Moscow, 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.<sup>20</sup> 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. Moreover, Soviet isolation from these global production changes *simultaneously* made it much more difficult to remain

17. 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 North America. See Stephen Kobrin, “The Architecture of Globalization: State Sovereignty in a Networked Global Economy,” in J. Dunning, ed., *Governments, Globalization, and International Business* (Oxford: Oxford University Press, 1997), 150.

18. 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), 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. Jones, *Evolution*, 48, 54.

19. In combination, these five Western countries accounted for 74 percent of the total world FDI stock in 1980. *Ibid.*, 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.” United Nations Conference on Trade and Development (UNCTAD), *World Investment Report 1994: Transnational Corporations, Employment, and the Workplace* (Geneva: United Nations, 1994), 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 and the Developing Countries* (Washington, D.C.: World Bank, 1997), 45.

20. On the changing nature of technological development, see Kobrin, “Architecture of Globalization,” 149–50.

technologically competitive in the arms race—of foremost importance to more traditionally minded 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>21</sup> At the same time, production appears to have been most 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>22</sup> These sectors read like a who's who of dual-use industries. In short, 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>23</sup>

### **Economic Constraints and Policy Shifts**

Beginning in the late 1970s, critical conditions that had shaped the Cold War—a Soviet Union that could remain relatively autarkic and yet generate capabilities competitive with and rising relative to those of the United States—thus began to change measurably and consistently. How exactly did these underlying shifts alter the incentives facing policymakers in the Cold War's endgame? And how did these incentives actually affect policy outcomes? We outline answers to these questions in the subsections that follow.

#### *Causal Effects of Rising Economic Constraints*

Rising economic constraints had two critical consequences for Soviet foreign policy. First, relative decline and Soviet isolation from ongoing global production changes created strong incentives for the country to retrench internationally; that is, to halt and, eventually, reverse the growth in the costs of Moscow's global position. 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 an

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

22. See World Bank, *Global Economic Prospects*, 42.

23. For a detailed analysis of this point, see Brooks, "Globalization," chap. 5.

ominous prospect for Gorbachev and many other policymakers.<sup>24</sup> By the mid-1980s, even important figures in the Soviet military shared this assessment.<sup>25</sup> Stemming the rising costs of the Soviet Union's international position implied moderating the arms race and scaling back the costs of competition in the Third World. In addition, the general incentive to reduce the rising costs of empire meant limiting Moscow's intervention in the domestic affairs of its Central European allies. The more the Soviet Union and its dependencies declined, the higher the governance costs for Moscow—that is, the higher the marginal cost of maintaining Russian influence over the domestic choices of Central European states—and the greater the incentives to devolve authority.

The second essential casual effect of these shifts is that they affected the bargaining outcome once the Soviet alliance began to unravel. The key here is that both the Soviet Union and its Eastern European allies turned out to be far worse off in economic terms than observers recognized before 1989. By the time the actual terms of the Cold War's settlement were negotiated—in the winter and spring of 1989–90—resource constraints were overpowering the Soviet policy process on all fronts (Table 1). It is often argued that failure to predict the precipitous economic decline of the Soviet Union and its key allies in Eastern Europe somehow impugns an explanation rooted in economic constraints. But the fact that analysts were not aware of how close the Soviet-type economies were to utter collapse is not evidence that the collapse was not of central importance.<sup>26</sup>

### *The Links Between Economic Constraints and Policy Effects*

The connection between economic constraints and policy change is not mechanistic. An economic downturn for one or two years may or may not represent a trend to which decision makers must respond. One only knows whether one is experiencing a “trend” after observations have confirmed it for many years

24. The best-researched study that documents this dilemma is Gaddy, *Price of the Past*. For a wide-ranging review, based on Soviet writings and speeches, see Central Intelligence Agency, Directorate of Intelligence, “The USSR Confronts the Information Revolution,” SOV 87-10029 (May 1987), declassified and made available on CD-ROM by the CIA's Center for the Study of Intelligence.

25. See William Odom, *The Collapse of the Soviet Military* (New Haven: Yale University Press, 1998), 91, 225.

26. By way of analogy, our ability to detect asteroids is presently imperfect. If, owing to limits on our powers of observation, we fail to foresee an asteroid impact on Earth, this predictive failure would indicate neither that the asteroid did not have an important effect, nor that our theories of astrophysics are flawed. The sole lesson would concern our capacity to measure variables central to the theory concerned. For more, see David Dessler, “Prediction as a Criterion of Theory Appraisal in International Relations: Lessons from the Natural Sciences” (MS, William and Mary College).

TABLE I. *Soviet Economic Performance During the Cold War Endgame*

	1986	1987	1988	1989	1990	1991
GNP growth (percent per year) <sup>a</sup>	4.1	1.3	2.1	1.5	-12	-13
Internal debt as a percentage of GDP <sup>b</sup>	20.0	22	36	43	55	n.a.
Budget deficit as a percentage of GDP	-2.4	-6.2	-8.8	-11	-14	-20
Balance of payments in convertible currencies (in billions of U.S. dollars) <sup>c</sup>	0.637	-2.3	-0.72	-3.7	-11.8 <sup>d</sup>	n.a.

SOURCES: David Kotz, with Fred Weir, *Revolution from Above: The Demise of the Soviet System* (London: Routledge, 1997); International Monetary Fund, The World Bank, Organisation for Economic Cooperation and Development, and European Bank for Reconstruction and Development, *A Study of the Soviet Economy* (Paris: OECD, 1991); Sergei Germanovich Sinel'nikov, *Biudzhetnyi krizis v rossii, 1985-1995 gody* (Moscow: Evraziya, 1995); 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 figures for 1986-90 are CIA estimates; those for 1991 are official Russian data as reported in Sinel'nikov.

<sup>b</sup> The figures for 1986-89 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> On a settlements basis. Payments deficits in nonconvertible currencies also increased dramatically over the period.

<sup>d</sup> First half of 1990 only.

in a row. In the case of the Soviet Union and the end of the Cold War, observations confirming negative economic trends accumulated in the late 1970s and early 1980s. Growth plunged in 1976. In 1980, the economy entered an outright recession. Then, the economic crisis spread to Moscow's allies in Central Europe.<sup>27</sup> By the early 1980s, the systemic decline of the Soviet Union and its chief allies was undeniable.

Of course, increasing economic constraints did not *force* a response in the way that deterministic causation occurs in nature. For one thing, even after a trend is recognized, it always takes some time to formulate and effect a response, given the standard institutional and organizational lags that characterize any modern polity and the fact that individual leaders are bounded in their ability to process information. Moreover, human beings take action based on expectations. A Soviet leader could have resisted changes for a period

27. Economic growth in Moscow's Eastern European allies declined from an average real GDP growth rate of 3.23 percent in 1971-80 to 0.9 percent in 1981-85, and eventually reached an average growth rate of -1.16 percent in 1989. Calculated from data in Carol Clark, "Relative Backwardness in Eastern Europe: An Application of the Technological Gap Hypothesis," *Economic Systems* 17, no. 3 (September 1993): 170.

of time, the length of which one can argue over counterfactually. An explanation rooted in changing economic incentives simply posits that the agents concerned responded to expectations of economic trends. Here, the most important question is: What were the alternatives to retrenchment? By 1985–87, there was no evidence that just clinging to the status quo and hoping trends would miraculously reverse themselves would be a sustainable policy over the long run. A renewed assault on the West would only increase the economic burden Moscow already faced. Given the United States's economic and military ascendancy, higher tensions would only reinforce its dominance over its own alliance and hence its ultimate superiority over Moscow. Preventive war was out of the question, given overall U.S. material superiority, nuclear deterrence, and the declining economic value of territory.

The evidence concerning perceptions of economic constraints and their connection to new ideas and policies is strongly consistent with the argument we have developed thus far. Three general patterns of evidence are indicative of this overall finding. First, Soviet policymakers at the highest levels began to agonize over relative decline in the early 1980s, just as the systemic decline of the Soviet Union became undeniable.<sup>28</sup> Internal assessments of Soviet economic decline either matched or were more pessimistic than the data presented in Figure 1.<sup>29</sup> As we would expect, there was a two-to-three-year lag between recognition of the systemic trend and the new policy response. However, even in this period (roughly 1981–85), evidence reveals leadership efforts to contain foreign policy costs and close the widening gap between capabilities and commitments. In particular, Brezhnev, Andropov, and Chernenko all struggled hard to stem the growth in defense spending in the early 1980s, despite the hard line coming from Washington and heavy pressure from the military.<sup>30</sup>

Second, the data demonstrate how decline and resource constraints helped propel new policy innovations. Memoirs and other recollections—by

28. See Mark Kramer, "Ideology and the Cold War," *Review of International Studies* 25, no. 4 (October 1999): 539–76.

29. This is the general finding reported in Michael Ellman and Vladimir Kontorovich, "The Collapse of the Soviet System and the Memoir Literature," *Europe-Asia Studies* 49, no. 2 (March 1997). More specific recollections include Ellman and Kontorovich, *Destruction of the Soviet Economic System*; Gorbachev, *Memoirs*; Vitaliy Ivanovich Vorotnikov, *A bylo eto tak . . . Iz dnevnika chlena Politbyuro TsK KPSS* (Moscow: Sovet vetera-nov knigoizdaniya, 1995); Yegor Gaidar, *Days of Defeat and Victory*, trans. Jane Ann Miller (Seattle: University of Washington Press, 1999); Stanislav Shatalin, "'500 dney' i drugiye dni moyey zhizni," *Nezavisimaya gazeta*, March 31 and April 2, 1992; Nikolai Ryzhkov, *Perestroyka: istoriya predat'stv* (Moscow: Novosti, 1992).

30. According to Firth and Noren, *Soviet Defense Spending*, they succeeded in capping budgetary growth, but because the economy actually declined in 1980–82, defense outlays as a percentage of GDP probably rose.

new and old thinkers alike—consistently document that the mounting evidence of Soviet relative decline and technological inferiority played a role in the evolution of individuals' policy perspectives.<sup>31</sup> The momentum behind new policy directions was intimately related to cascading information on the Soviet Union's material failings compared to the United States and its chief allies. At each wrenching step in the process of discarding old policy approaches and adopting new ones, resource constraints were of central importance.<sup>32</sup>

It is clear, moreover, that both new and old thinkers strongly resisted a complete abandonment of traditional Soviet ideas and policy practices. Gorbachev's initial response did not threaten system fundamentals. He adopted a policy of "acceleration" (*uskoreniye*) of the Soviet economy via discipline, new personnel in key managerial roles, an anti-vodka campaign, and massively increased investment in the machine-tool sector of the economy (roughly 70 percent of which was devoted to military production). In foreign policy, Gorbachev began by reversing the Brezhnev-Andropov-Chernenko policy of capping military spending 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 Moscow's bargaining leverage in talks on regional issues.<sup>33</sup>

The initial policy package failed to turn the economy around (see Table 1) and produced only the beginnings of a potential burden-reducing entente

31. General analyses that demonstrate this point include Aleksandr Shubin, *Istoki perestroiki: 1978–1984 gg.* (Moscow: [n.p.], 1997), and Paul Hollander, *Political Will and Personal Belief: The Decline and Fall of Soviet Communism* (New Haven: Yale University Press, 1999). Particular memoirs that are especially telling on this score are Nikolay Leonov, *Likholet'e* (Moscow: Mezhdunarodniye otnosheniya, 1994); Sergey F. Akhromeyev and G. M. Korniyenko, *Glazami marshala i diplomata: Kriticheskiy vzglyad na vnesbnyuyu politiku SSSR do i posle 1985-go goda* (Moscow: Mezhdunarodniye otnosheniya, 1992); Anatoly S. Chernyaev, *My Six Years with Gorbachev*, ed. and trans. Robert D. English and Elizabeth Tucker (University Park: Pennsylvania State University Press, 2000); Vorotnikov, *A bylo eto tak*; and Georgiy Khosroyevich Shakhnazarov, *Tsena svobody: Reformatsiya Gorbacheva glazami ego pomoshchnika* (Moscow: Rossika-Zevs, 1993).

32. Two salient examples of this dynamic are the unilateral conventional force reductions in November–December 1988 (see the accounts in Chernyaev, *My Six Years with Gorbachev*; Akhromeyev and Korniyenko, *Glazami marshala i diplomata*; and Vorotnikov, *A bylo eto tak*) and the twin decisions to demand hard currency for energy exports to the East European allies while reducing interference in their domestic policy choices (see the accounts in Ryzhkov, *Perestroika*, and Shakhnazarov, *Tsena svobody*).

33. Rhetoric aside, Gorbachev made no effort to increase outlays for consumer welfare in this period. See Sergey Germanovich Sinel'nikov (-Murylev), *Byudzhbetnyy krizis v rossii, 1985–1995 gody* (Moscow: Evraziya, 1995), 36. Aleksandr Lyakhovskiy, *Tragediya i Doblest' Afgana* (Moscow: GPI Iskona, 1995), documents the early escalatory policy on Afghanistan. For Gorbachev's own contemporary description of these policy moves in Politburo settings, see, for example, National Security Archive, "Understanding the End of the Cold War: The Reagan/Gorbachev Years" (Providence: Brown University, 1998), esp. docs. 44 and 52. For an analysis of the competitive impulse behind "acceleration," see Vladimir Shlapentokh, *A Normal Totalitarian Country: How the Soviet Union Functioned and How It Collapsed* (Armonk, N.Y.: M. E. Sharpe, 2001).

with the West. The result was dramatically increased resource constraints and a consequent radicalization of the foreign strategy, which by 1988 had moved from graduated initiatives premised on reciprocity to escalating unilateral concessions. By then, resource constraints were escalating even further and there were no obvious quick fixes other than to reduce the external pressure and perhaps exploit the economic benefits of reduced tensions as rapidly as possible.<sup>34</sup> As Shevardnadze's adviser Sergei Tarasenko noted in an interview:

Already after the Nineteenth Party Conference, as we confronted the difficulties inside the country, the realization began to take shape that we would be able to continue on for a little while and perhaps retain the status of a great power only by relying on the United States. We sensed that were we to take two or three steps away from the U.S., we'd be tossed aside. We had to move as close as possible to the United States. . . . [This point of view came to the fore in 1988], when the policy of acceleration turned out so badly. The USA had always wanted to cut us down [*dozhat' nas*]. Had we at that time acted in a confrontational way, the Americans would have easily cut us in two.<sup>35</sup>

This pattern—start with the policies of least resistance and move to riskier measures only under pressure of intensified economic constraints—characterized all key foreign policy areas. For example, one of Gorbachev's initial responses to the technological lag was to foster increased interfirm linkages within the Soviet Union and its economic alliance, the Council on Mutual Economic Assistance (CMEA), and to try to exploit the reputed technological prowess of the military-industrial sector. By 1987, however, it was clear that any attempt to apply the productivity "secret" of the military sector to the overall economy was doomed to failure. As Clifford Gaddy points out, "The 'secret' was that the military sector cannibalized the economy. . . . To ask the military industry to apply its methods to serve civilian industry was not simply politically impossible but also illogical."<sup>36</sup> Moreover, it soon became clear that efforts to duplicate the increasing international production linkages that were occurring in the West by expanding specialization and production

34. For more on this critical reversal, see Chernyaev, *My Six Years with Gorbachev*, 193–95; Akhromeyev and Korniyenko, *Glazami marshala i diplomata*, 55; Ryzhkov, *Perestroyka*, 232–33; Eduard Amvrosiyevich Shevardnadze, *Moy vybor: v zashchitu demokratii i svobody* (Moscow: Novosti, 1991), 110–11; and Vorotnikov, *A bylo eto tak*, 223.

35. Transcript of interview by Oleg Skvortsov, director of the Oral History Project at the Institute of General History with S. P. Tarasenko, March 19, 1999, Moscow (on file at the National Security Archive, Washington, D.C., and the Institute of General History, Moscow, 1999). Hereafter cited as "Skvortsov interviews."

36. Gaddy, *Price of the Past*, 56.

linkages within the CMEA would bear little fruit, in significant part because no country in the Eastern bloc could match Western technology using indigenous sources.<sup>37</sup> The failure of the initial policy of least resistance led Gorbachev to more controversial policies to increase access to MNCs, including allowing majority-owned joint ventures.

Third and finally, the evidence reveals that old thinkers tended to see the same underlying trends, which undercut opposition to Gorbachev's reorientation of Soviet grand strategy. William 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>38</sup> Traditionally minded officials such as KGB chief Vladimir Kryuchkov, Gorbachev's chief of staff Valery Boldin, Defense Minister Marshal Dmitry Yazov, Chief of the General Staff and military adviser Marshal Sergei Akhromeev—all of whom participated in or (in Akhromeev's case) sympathized with the August 1991 anti-Gorbachev putsch—agreed that the Soviet economy could not bear the Cold War status quo and that the technological gap was large and widening.<sup>39</sup> Despite deep disagreements with Gorbachev, Akhromeev insisted 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 NATO after 1985. The economic possibilities for such a policy had been exhausted."<sup>40</sup> 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

37. See Hannes Adomeit, *Imperial Overstretch: Germany in Soviet Policy from Stalin to Gorbachev* (Baden Baden: Nomos Verlagsgesellschaft, 1998), esp. 227, and Charles Maier, *Dissolution: The Crisis of Communism and the Collapse of East Germany* (Princeton: Princeton University Press, 1997).

38. Odom, *Collapse of the Soviet Military*, 225.

39. Based on Skvortsov interviews with Kryuchkov, Boldin, and Yazov. See also Vladimir Kryuchkov, *Lichnoye delo* (Moscow: Olimp, 1996), 1:273, 282; Akhromeyev and Korniyenko, *Glazami marshala i diplomata*; and Aleksandr G. Savel'yev and Nikolai N. Detinov, *The Big Five: Arms Control Decision-Making in the Soviet Union*, trans. Dmitry Trenin (Westport, Conn.: Praeger, 1995). Odom also documents Soviet military concern over the technological gap: "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." William Odom, "The Soviet Military in Transition," *Problems of Communism* 3a (May-June 1990): 52-53, 63-64. For more, see also Thomas M. Nichols, *The Sacred Cause: Civil-Military Conflict Over Soviet National Security* (Ithaca: Cornell University Press, 1993), 115, 116.

40. Akhromeyev and Korniyenko, *Glazami marshala i diplomata*, 314-15.

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>41</sup> And not only did he express these views in hindsight, he used the very same arguments while implementing retrenchment policies as defense minister.<sup>42</sup>

Given their recognition of these underlying trends, old thinkers faced great difficulty in making the case for a plausible alternative to retrenchment. Indeed, despite a sustained and intensive research effort, scholars have yet to uncover contemporary evidence of a strategic alternative.<sup>43</sup> Clearly, many traditionally minded officials were convinced at the time, and remain so in retirement, that they could have implemented a retrenchment strategy better than Gorbachev was able to. But they were not able—in office or in hindsight—to make a coherent case for a general foreign policy alternative.

### Counterarguments and Counterfactuals

In March 1985 Mikhail Gorbachev took the helm of an overextended superpower with an inefficient economy that was declining alarmingly in relative terms. Existing policies of maintaining the Cold War status quo demanded increased expenditures, which increased the imperial burden as a share of the economy. A more vigorous prosecution of the Cold War rivalry was unlikely to relieve the economic burdens on the Soviet Union. On the contrary, there was every reason to conclude that a renewed assault on U.S. positions internationally would invite an escalatory response from a stronger rival. As a result, a general strategy of reducing Cold War tensions and scaling back the imperial burdens on the Soviet economy gained numerous adherents in Soviet ruling echelons. In significant part because the Soviet Union’s economic fortunes were rapidly declining, Gorbachev’s efforts to engage the United States in security negotiations while initiating economic reform were supported or at least tolerated by a critical mass of the Soviet policymaking elite.

While other outcomes were possible, our basic finding is that precipitous Soviet decline made the Cold War’s ending on U.S. terms the most likely outcome. Many scholars remain unconvinced by explanations of this type.

41. Skvortsov interview with Yazov, March 11, 1999.

42. See L. G. Ivashov, *Marshal Yazov (Rokovoi Avgust 91-go): Pravda o “putche”* (Moscow: Biblioteka Zhurnala “Muzhestvo,” 1992), chap. 2, esp. p. 27.

43. For a discussion of the evidence on this point, see Brooks and Wohlforth, “New versus Old Thinking in Qualitative Research.”

Among the counterarguments they offer, the following five are the most prominent.

### *Counterargument 1: Force in Eastern Europe*

Many scholars argue that the Soviet decision to avoid using force in Eastern Europe is the key puzzle that a focus on economic constraints leaves unresolved.<sup>44</sup> We disagree. While economic constraints did not preclude the possibility that force would be used, they clearly stacked the deck against it.

Thus far we have highlighted the growing costs of maintaining the Soviet Union's Cold War foreign policy. Costs, however, are only one half of the balance sheet: benefits obviously matter as well. For the Soviet Union, the key benefit of the dependencies in Eastern Europe in the initial phases of the Cold War was that they provided a security buffer zone.<sup>45</sup> Given the devastation of World War II, the Soviets' preference for such a buffer zone is certainly understandable. But over time this logic lost much of its force. Once the Soviets had an assured "second strike" capability that established mutual nuclear deterrence, the need for a buffer zone faded.<sup>46</sup>

Of course, critics would likely point out nuclear deterrence had diminished the Soviets' security rationale for the East European empires since at least the mid-1960s. Why, they might ask, did the Soviets not abandon the East European empire decades earlier? Two points are particularly relevant here. First, the Soviets had little need to question their Cold War foreign policy commitments as long as there was no reason to think that maintaining these commitments was unbearably costly. Undertaking a decision to abandon the Eastern European dependencies would obviously have been a major policy departure. As any student of institutions knows, major policy departures are not undertaken lightly. So in the absence of palpable costs, the default option was to continue with the existing policy on Eastern Europe.

Second, while the security benefits of maintaining the Soviet empire in Eastern Europe declined following the onset of secure nuclear deterrence in

44. See, for example, Jacques Lévesque, *The Enigma of 1989: The USSR and the Liberation of Eastern Europe*, trans. Keith Martin (Berkeley and Los Angeles: University of California Press, 1997).

45. See, for example, Karen Dawisha, *Eastern Europe, Gorbachev and Reform: The Great Challenge* (Cambridge: Cambridge University Press, 1988), 18.

46. As Alex Pravda notes, "Advances in weapons technology had long reduced the military value of the region as a glacis." Pravda, "Soviet Policy Towards Eastern Europe in Transition," in Alex Pravda, ed., *The End of Outer Empire: Soviet-East European Relations in Transition, 1985-1990* (London: Sage, 1992), 5. See also Aleksandr Bovin (in *Pravda*, March 23, 1990, p. 5), and Shakhnazarov, *Tena svobody*, chap. 6.

the 1960s and remained relatively constant thereafter, the economic opportunity cost of maintaining the Soviet empire only began to escalate rapidly beginning in roughly the mid-1970s. The best-researched account of Soviet–Warsaw Pact economic relations concludes that during the 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>47</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, the Soviets bankrolled a huge outflow of subsidized loans in the early 1980s to Poland, East Germany, and Bulgaria and, at the same time, sought to “ease Eastern Europe’s financial situation by accepting increased imports.”<sup>48</sup> However, the goods that the allies shipped to the Soviets were falling further and further behind world standards; 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>49</sup>

At the same time, the Soviets’ marginal cost of extracting the energy and raw materials they supplied to Eastern Europe in exchange for these goods was progressively increasing because most of the easily exploitable sources in the Soviet Union had already been exhausted.<sup>50</sup> By 1983, as noted, Siberian oil production began to decline, and the perennial Soviet problem of “shortage amidst plenty” suddenly worsened.<sup>51</sup> Finally, the East European allies’ need for Soviet help increased as time progressed because they suffered a marked slowdown in both technological competitiveness and economic growth—

47. Randall Stone, *Satellites and Commissars: Strategy and Conflict in the Politics of Soviet-Bloc Trade* (Princeton: Princeton University Press, 1996), 134. More evidence for Stone’s central conclusion is presented in Adomeit, *Imperial Overstretch*. 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* 39, no. 1 (winter 1985): 1–46.

48. J. F. Brown, *Eastern Europe and Communist Rule* (Durham: Duke University Press, 1988), 138, 129. As Brown reports, “In the winter of 1980–81, Soviet money almost literally poured into Poland. Some Western observers even put the total of Soviet assistance as high as nearly \$5 billion” (54).

49. Smith notes, for example, that Soviet analysts “complained that Soviet imports from Eastern Europe largely consisted of poor quality machinery and equipment that were obsolete on world markets but which were priced at prices equivalent to or even higher than the world market price for higher quality goods.” Alan Smith, “Economic Relations,” in Alex Pravda, ed., *The End of Outer Empire: Soviet–East European Relations in Transition, 1985–1990* (London: Sage, 1992), 82. See also 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), 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.”

50. Stone, *Satellites and Commissars*, 37.

51. See Thane Gustafson, *Crisis Amid Plenty: The Politics of Soviet Energy Under Brezhnev and Gorbachev* (Princeton: Princeton University Press, 1989).

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>52</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>53</sup> This led Soviet leaders to take the uncomfortable step of publicly castigating their allies in the CMEA. The most notable public expression of this growing frustration was at the 1984 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>54</sup> and the summit’s final document bluntly directed them to start “supplying the USSR with the products it needs.”<sup>55</sup> Similarly, at a 1986 summit of CMEA party leaders in Moscow, “the Soviet leadership had repeated complaints about the poor quality of East European manufactured exports to the Soviet Union.”<sup>56</sup>

While the economic rationale for cutting back Soviet ties with Eastern Europe was thus becoming stronger and stronger, it would be wrong to say that these changing incentives led mechanistically to a positive Soviet decision to withdraw from Eastern Europe. In fact, available evidence indicates that there was no plan to withdraw from Eastern Europe, whether to reap economic benefits or for any other reason. Some key decision makers—notably, Shevardnadze and Ligachev—retrospectively claimed “that the Politburo renounced the Brezhnev doctrine in 1985.”<sup>57</sup> The evidence, however, does not support the argument that such a proactive decision was actually made. On the contrary, Vladislav Zubok’s extensive review of recently released archival documents concludes that “All the evidence indicates that Gorbachev and his advisers had no new policy for Eastern Europe.”<sup>58</sup> The new evidence

52. Carol Clark, “Relative Backwardness in Eastern Europe: An Application of the Technological Gap Hypothesis,” *Economic Systems* 17, no. 3 (September 1993): 167–93, is a good source on declining technological competitiveness. Growth figures are calculated from data on page 170 of the Clark article.

53. Brown, *Eastern Europe and Communist Rule*, 155.

54. *Ibid.*, 154.

55. As 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.*, 155 (emphasis in original).

56. Smith, “Economic Relations,” 77.

57. Mark Chafetz, *Gorbachev, Reform, and the Brezhnev Doctrine: Soviet Policy Toward Eastern Europe, 1985–1990* (Westport, Conn.: Praeger, 1993), 63.

58. Vladislav Zubok, “New Evidence on the ‘Soviet Factor’ in the Peaceful Revolutions of 1989,” *Cold War International History Bulletin*, no. 12/13 (fall/winter 2001): 7. On security matters, Zubok stresses,

ratifies Pravda's assessment: "It would be unrealistic to argue that the Gorbachev leadership had any well-defined idea of the relationship they wished to achieve. They were clearer about past features they wanted to avoid and the general direction in which the relationship should evolve."<sup>59</sup>

Specifically, it is quite clear what the Soviets wanted: to reduce the burden of subsidies to the allies; to get them to supply better goods; and to lower the strain of maintaining the forward defense posture in Eastern Europe. In short, maintaining the foreign policy status quo in Eastern Europe was becoming very expensive in economic terms, and the Soviets wanted to drastically cut back those costs. As Jacques Lévesque notes, under Gorbachev "Moscow was much more demanding and stingy in its economic relations with its allies than it had been in the past."<sup>60</sup> An obvious way to cut costs was to demand less obedience from the allies. When policymakers such as Shevardnadze and Ligachev recall "renouncing the Brezhnev Doctrine" in 1985, what they probably have in mind is the resolve to reduce Moscow's interference in its allies' domestic choices. This self-restraint is understandable when one considers how very expensive it is to induce obedience from balky allies—as the Soviets discovered in the Polish crisis of 1980–81. Reducing costs and interference is very different, of course, from saying that the Soviets had a plan to jettison Eastern Europe. Had the citizens in Eastern Europe not organized to overthrow the existing regimes, the Soviet leadership—Gorbachev included—would have been quite happy to hold on to Eastern Europe. In the end, the only thing that had changed was the Soviet willingness to pay high costs in order to try to prevent this from happening.

While it is doubtful that the Soviets ever formally and explicitly decided to exit Eastern Europe, this is not to say that they had never weighed the growing costs of using force in Europe prior to 1989. Following the Polish crisis in 1980–81, the Soviet leadership pondered this very question at length. The evidence that has emerged here indicates that the Soviet leadership ruled out direct intervention in Poland as being beyond Soviet capabilities. According to KGB veteran Nikolai Leonov, Yury Andropov opined in 1980 that "the quota for our interventions abroad has been exhausted: . . . The Soviet Union already

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"Gorbachev and Shevardnadze had no coherent policy at all for the Warsaw Pact" (8). For another exhaustive review of documentary evidence on this point, see Adomeit, *Imperial Overstretch*, chap. 4.

59. Pravda, "Soviet Policy," 7.

60. Jacques Lévesque, "Soviet Approaches to Eastern Europe at the Beginning of 1989," *Cold War International History Bulletin*, no. 12/13 (fall/winter 2001): 49.

lacked the power for such operations.”<sup>61</sup> Available documents on the Polish crisis reveal that the Politburo was deeply reluctant to enforce the Brezhnev Doctrine and was acutely aware of the punishing costs of doing so.<sup>62</sup> 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.”<sup>63</sup> The key point here is that if the Soviets already felt in 1981 that military intervention in Eastern Europe had become too costly, then the logical expectation is that the willingness to use force in 1989 would be even lower after a decade more of decline, after it was clear that this decline was systemic, not simply cyclical and, most important, when the Soviet economy was in a complete free fall.

Indeed, it is clear that once the depth of economic distress was understood, the punishingly high costs and low benefits of using force were apparent—and not just to Gorbachev and the new thinkers, but to most “old thinkers” in the Soviet Union as well.<sup>64</sup> The use of force in these circumstances would have ended the emerging détente with the West, increased the West’s allocations for defense, closed off all credits to a Soviet economy in desperate need, and shut down all hopes of technology transfers or joint ventures. Moreover, intervention would imply the assumption of direct responsibility for Eastern Europe’s growing foreign debt, whose servicing would have added massive burdens on the Soviet economy—or, of course, a default, which would have further closed Western markets. As Chernyaev recalls, Gorbachev’s resigned response to worries that Poland was moving away from the Soviet alliance owed much to his awareness of these economic constraints: “What can we do? Poland has a \$56 billion debt. Can we take Poland on our balance sheet in our current economic situation? No. And if we cannot—then we have no influence.”<sup>65</sup>

And, to carry the counterfactual further, had Moscow intervened militarily, it would then have had to establish new client regimes whose obvious dependence on the Soviet Union would have implied even higher governance costs for the Soviet budget than the old Soviet empire. The use of force would, in short, have entailed a new Soviet isolation unseen since the 1950s, and it

61. Leonov, *Likholet'e*, 281.

62. See Vojtech Mastny, “The Soviet Non-Invasion of Poland in 1980–81 and the End of the Cold War,” Cold War International History Project, Working Paper no. 23 (Washington, D.C., September 1998).

63. Shakhnazarov, *Tsena svobody*, 115.

64. See Andrew O. Bennett, “Ideas and the Non-Use of Force in the End of the Cold War” (paper prepared for the Conference “Ideas and the End of the Cold War,” Dickey Center, Dartmouth College, June, 2001), 17–18, and sources cited therein.

65. Cited in Zubok, “New Evidence,” 10–11.

would have required Moscow to extract 1950s-level sacrifices from its own population. But in the 1950s, the Soviet economy was growing at 8 percent yearly, and Soviet leaders consequently had some confidence in their system's ability to deliver growth. Fifteen years of decline had sapped that confidence, and with it the willingness to die, kill, and impose material hardship in the name of socialism. Given these trends, it is not surprising that no old thinker advocated the use of force in 1989, and none has since suggested that such a decision would have served Soviet interests.<sup>66</sup>

To summarize, the key security benefits of the empire had long ago faded; the economic burdens of the East European empire were rapidly rising; Soviet policymakers across the political spectrum wanted to scale back these growing costs of empire; the costs of using force in Eastern Europe had been deemed unacceptably high as early as 1981; and all decision makers were aware of the prohibitive costs of using force in 1989. In short, there were powerful incentives against the major use of force. Knowledge of these incentives would lead us to expect policymakers to try hard to avoid armed confrontations. Soviet behavior is consistent with this expectation. As Andrew Bennett points out in Chapter 6, "Thus far no evidence has come to light that any top Soviet leader argued for using force in Europe in 1989, or that the military or security bureaucracies were asked for or volunteered operational plans for using force."<sup>67</sup> In fact, Gorbachev took active measures to avert an inadvertent "Kent State" kind of confrontation between armed soldiers and demonstrating civilians.<sup>68</sup> Of course, there was never a guarantee that policymakers would be successful in their efforts to avoid armed confrontation. There is nothing in our analysis that rules out the possibility of policymakers or commanders losing control in a tense situation. Once again, this is a distinction between causation in nature and in social life.

*Counterargument 2: The Economic Crisis Was Purely a  
Consequence of Gorbachev's Particular Economic Policies*

Many scholars agree that the Soviet Union's rapid decline in economic fortunes strongly influenced the end of the Cold War, but nevertheless assert that the country's declining material fortunes were merely the result of idiosyncratic

66. See Chapter 6, pp. 200–202.

67. *Ibid.*, 200.

68. Gorbachev's preventive actions are discussed in Kramer, "Ideology and the Cold War," and Lévesque, *Enigma of 1989*.

economic policy choices initiated by Gorbachev after 1985.<sup>69</sup> As noted previously, Gorbachev initially chose to reinvigorate the Soviet economy by massively increasing investment in the machine tools industry, ramping up defense expenditures, tightening discipline, clamping down on corruption, restricting vodka sales, granting enterprises more freedom, and allowing freer flow of information through the system. Far from being simply the brainchild of an idiosyncratic Gorbachev, the policy package was the carefully prepared product of the country's best and brightest policy advisers, and it was thoroughly vetted with critical experts who had spent their professional lives on the problem of reforming the Soviet economy. Of course, it was a catastrophic failure, generating massive fiscal imbalances, no upsurge in growth, and the beginnings of a breakdown in the command system.<sup>70</sup>

Gorbachev's particular economic reforms clearly helped propel the Soviet economy into a severe tailspin by the late 1980s. But the fact that the new economic policies abetted Soviet decline should not be confused with the notion that Gorbachev single-handedly brought the Soviet economy to its knees. As noted in the first section of this chapter, the Soviet economy was in dire straits before Gorbachev assumed power. The systemic decline of the Soviet economy was, in fact, what spurred economic reforms in the first place. Nevertheless, Gorbachev's reform package did make the economic situation even worse. This fact leads immediately to two popular counterfactuals.

First, suppose Gorbachev had not been selected as leader in 1985? As a matter of historical record, most analysts hold that Gorbachev's selection was not a close-run affair. Biology dictated that a transition to the younger generation of leaders was inevitable, and by the early 1980s Gorbachev was the sole representative of that generation who was a full member of the Politburo. Had he met an untimely death, however, the lack of younger leaders with sufficient stature for the top post might have given seventy-year-old Viktor Grishin a chance at power. In Chapter 8, Robert English suggests that a Grishin regime might have continued, and perhaps intensified the Cold War rivalry for another decade or more.<sup>71</sup>

69. See the English and Zubok chapters in this volume; also see, for example, Matthew Evangelista, *Unarmed Forces: The Transnational Movement to End the Cold War* (Ithaca: Cornell University Press, 1999), esp. 256.

70. In addition to Sinel'nikov, *Byudzhetyy krizis*, see also David Kotz, with Fred Weir, *Revolution from Above*.

71. In addition to the English and Zubok chapters herein, see George Breslauer and Richard Ned Lebow, "Contingency and Counterfactuals: How Leaders Matter," in Richard Hermann and Richard Ned Lebow, eds., *Learning from the Cold War* (unpublished manuscript).

The Grishin counterfactual—like the others that have been proposed about the Cold War's end—suggests that other broad outcomes than Soviet retrenchment were possible. But the question is, how probable were they? In this case, how likely was it that a counterfactual General Secretary Grishin would have been able to maintain or intensify the Cold War rivalry for another ten or twenty years? Our analysis suggests that this counterfactual is highly improbable, for it glides over very tough constraints that Grishin would have faced. Most important, the Cold War status quo would have been exceedingly hard to maintain, absent a major turnaround in the economy. Lagging substantially behind the U.S.-led alliance in economic growth, the Soviets would have to devote an increasing share of output to foreign policy just to stay even. Given technological trends, Moscow would also have been hard-pressed to maintain parity as a superpower without some new and expensive program to counter new technology-intensive U.S. weapons and doctrines. Eighty percent of Soviet expenditures on science already went to military purposes. Increasing that proportion yet further might well have worsened the macroeconomic situation just as Gorbachev's policies did. And the new thinkers had a point: given that the trends were toward an even greater Soviet quantitative and qualitative disadvantage, the longer the Soviets waited, the harder and riskier an exit from the Cold War would get. Doing nothing, as the old adage goes, is doing something, and in this case it would simply have produced even more Soviet decline, which would have further skewed odds against easing Moscow's Cold War burdens on good terms. It is not obvious that procrastination—which is what English suggests Grishin would have done—was any safer than the policy package that Gorbachev pursued.

In addition, given underlying trends, some reform effort to boost Soviet economic performance was highly likely. After all, Andropov had begun such a program, his age and conservatism notwithstanding. The pressure on Grishin to turn the economy around would have been intense. The question then becomes, how much would a Grishin program have differed substantively from Gorbachev's initial acceleration policy? Given the popularity of Gorbachev's initial program with many conservatively minded officials, and given its resemblance to Andropov's aborted program, it is likely that a Grishin policy would have been broadly similar, and produced broadly similar results.

This brings us to a second popular counterfactual concerning Gorbachev's reform package. Suppose there had been a different reaction to the failure of the

initial reforms? The acceleration policy appears in many ways to have been the system's "default option" response to decline. Thus, any new leader would probably have had to confront its failure. Without resolving very complex and contentious questions of Soviet economic policy, it is difficult to determine what the optimal response would have been. The key point is that any response would have had to confront the basic fact that the Soviet Union's economic crisis was to a significant degree endogenous to the international environment. Nearly a quarter of all economic activity, the best R&D resources, and the best technical and science expertise were all being cannibalized by the massive defense sector. The Central European dependencies were a large and growing burden. Any program for restoring growth and competitiveness to the Soviet economy would have had to confront these realities.

Thus Gorbachev's impulse to retrench internationally and undercut the military's priority claim on resources was not an idiosyncratic impulse on his part, but a response to a deep-seated economic reality. If anything, the most critical blunder Gorbachev made was failing to cut defense fast enough. Instructive on this score is an analysis of the main alternatives to Gorbachev's response to the initial policy's failure. The two economic policy responses that were actually debated—the strategy of "optimizing the planning mechanism" favored by more conservative officials such as Nikolai Ryzhkov, Vitaly Vorotnikov, and Yegor Ligachev; and the strategy of rapid marketization pushed by liberals like Yegor Gaidar, Stanislav Shatalin, and Grigory Yavlinsky—were both weighted even *more* heavily toward cutting back the imperial burden.<sup>72</sup> Both Ryzhkov and Gaidar—coming from two very different perspectives—had the same fundamental criticism of Gorbachev: that he failed to rein in government expenditures (including defense expenditures) fast enough to establish the macroeconomic stability that true reform demanded.<sup>73</sup>

In sum, Gorbachev's initial package of economic reform policies was the Soviet polity's default option. In a counterfactual case involving a different leader, something broadly similar would probably have been attempted—and it probably would have produced similar results. In a counterfactual case involving the adoption of either of the two responses to the initial policy's failure

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

73. The point holds even though the two sides had completely different definitions of "stabilization," as Robert Zoellick points out in Chapter 4, pp. 128.

that appear to have been the most likely alternatives to the course Gorbachev chose, the Soviets would have been even *more* sensitive to the costs of the Cold War status quo than they actually were. Moreover, there is little reason to believe that either plan would have restored growth to the Soviet economy by 1989–90. Thus counterfactuals that feature clear general alternatives to retrenchment or an economically viable Soviet Union in 1990 appear improbable.

*Counterargument 3: If Economic Constraints Were So Salient, Then Why Didn't Everyone Agree on Retrenchment?*

As the chapters by Bennett, Zubok, and English attest, many scholars who criticize explanations of Soviet foreign policy behavior based on economic constraints highlight the absence of a complete consensus within the Soviet Union on the desirability of retrenchment. The critics are right about the absence of unanimity within the Soviet Union concerning foreign policy. As we stressed above, important elements of the Soviet elite were deeply troubled by Gorbachev's foreign policy course. And a few figures, such as Oleg Baklanov, simply denied that the Soviet Union's foreign policy imposed a massive and escalating economic burden.<sup>74</sup> In short, it is not hard to find domestic disagreement about the advisability of Gorbachev's approach to retrenchment.

Yet it would be surprising to find consensus about any major policy reorientation of any sort in any country. All social science theory tells us that finding such a consensus will be rare indeed, if not impossible. Bureaucratic interests and institutional structures matter; different individuals process information and learn at different rates; leaders at the top of the power structure often see things differently than those at the bottom; and so on. An argument such as ours that highlights economic constraints does not imply that all politics stop the minute certain policies become unsustainably costly. Even in cases where economic constraints are strong, there will still be arguments, persuasion, debates, and controversies.

Despite the lack of theoretical reasons to expect a consensus over the reorientation of Soviet foreign policy, this is exactly the standard of evidence that many accounts use to measure explanations, such as ours, that highlight economic constraints. Most prominently, Matthew Evangelista's influential

74. See Skvortsov interview with Oleg D. Baklanov, undated, Moscow (on file at the Institute of General History, Moscow, and the Mershon Center at Ohio State University, 1999).

account of the Cold War's end repeatedly points to the lack of consensus about Soviet retrenchment as a strong indicator of the inherent weakness of any explanation grounded in growing economic pressures.<sup>75</sup> Similarly, all the other scholarly contributors to this volume make much of the absence of consensus within both superpowers. Yet if there is no reason to expect consensus, it is hard to see why a lack of consensus can be counted as evidence either for or against any particular theoretical framework. In short, no matter how strong the economic constraints facing the Soviet Union were, it is unreasonable to expect all Soviet officials to respond to them in an identical manner at the same time.

In addition, the "lack of consensus" counterargument often reflects a preoccupation with a different explanatory problem; namely, accounting for the specific details of individual decisions. When the analytical lens is concentrated on such finely grained decisions, differences of opinion are almost always evident. This is frequently the stuff of policymaking, and it is not surprising that participants focus on it when revisiting their roles in larger events. But explaining, for example, why the Soviets agreed to the inclusion of the "Oka" missile in the INF talks in 1987 is not the same as explaining why the Cold War ended peacefully on largely Western terms, which is the outcome we are seeking to explain here. We have found that the sum total of the dozens of critical decisions that add up to the end of the Cold War are consistent with our argument. Singling out only one finely grained decision from this large series and discovering policy differences does not impugn our basic finding. We do not claim—no responsible analyst can—to account for each microanalytical decision or bargaining position adopted during the Cold War endgame.

The lack of consensus counterargument not only applies an inappropriate standard of evidence, it also ignores the free-rider issue. By free riding we do not mean that conservatives and hard-liners wholeheartedly agreed with Gorbachev's retrenchment policies but stood aside and let him do the tough work of implementing them. Rather, we mean that most of the old thinkers were not in positions where they were forced to confront the trade-offs implicit in any effort to deal with the Soviet Union's growing problems. Much of the evidence of policy differences concerns old thinkers' complaints about Gorbachev's policies, especially concessions in arms control negotiations. But such laments

75. See Evangelista, *Unarmed Forces*, 15, 252, 258, 262.

do not necessarily indicate what these officials would have been able to do had they been in command. They were able to gripe about Gorbachev's course without ever having to face the painful choices between guns and butter and between the present and the future. One example out of many is Yegor Ligachev, who, William Odom shows, "wanted reform but not at the expense of the Soviet Union's international military status."<sup>76</sup> The problem with Ligachev's lament is that in office and in retirement he accepted that the Soviet Union "faced the task of curtailing military spending. . . . the economy could not breathe normally with a military budget that comprised 18 percent of the national income."<sup>77</sup> In short, Ligachev wanted to slash defense outlays without reducing military capabilities. Doubtless Gorbachev would have loved to have been able to do this. What leader wouldn't? Those in opposition are free to advance incompatible policy preferences without having to worry about how to resolve them.

#### *Counterargument 4: The Cold War Endgame Negotiations Are a Major Puzzle*

Many scholars argue that the ease and speed of the negotiations that formally settled the Cold War present a major puzzle for any explanation rooted in economic constraints. They contend that even given the Soviets' parlous economic condition in 1989–90, they could have bargained harder and extracted better terms but for the particular character of Gorbachev (as Zubok contends in Chapter 7), the specific nature of recent Soviet cognitive learning (as Bennett argues in Chapter 6), or the influence of particular ideational dynamics, as Thomas Risse has argued in various analyses.<sup>78</sup>

As with the discussion of the overall reorientation of Soviet foreign policy, any analysis of the role these factors played in influencing particular negotiations during the Cold War endgame requires an accurate estimate of the extent to which economic difficulties constrained Moscow's choices. Given this, what are the logical extensions of our analysis in the first part of this chapter? The first is simply that once Moscow opted for retrenchment, each passing year made a reversal of course less likely. This would be true even if the

76. Odom, *Collapse of the Soviet Military*, 92.

77. *Ibid.*

78. Thomas Risse, "Let's Argue! Communicative Action in World Politics," *International Organization* 54, no. 1 (winter 2000): 1–40; and *idem*, "The Cold War's Endgame and German Unification," *International Security* 21, no. 4 (spring 1997): 158–85.

various trends that we showed were facing Moscow in the 1980s had not accelerated. But, of course, these problems did accelerate: Moscow's already poor economic fortunes changed dramatically for the worse, beginning in 1988. And here, the second logical extension of our analysis is that if a certain magnitude of economic pressures biased the system toward retrenchment, then we would expect an even larger amount of economic distress to generate movement toward a proportionately greater reduction in Soviet foreign policy claims on the international system. In short, if systemic economic decline made retrenchment the most likely outcome, then the utter free fall of the Soviet economy in 1989-91 (see Table 1) would lead to an even greater assault on the Soviets' Cold War foreign policy.

Still our analysis should not be interpreted to mean that there were no differences between new and old thinkers during the Cold War endgame—or that representatives of these orientations would have responded identically to each strategic incentive. As we have noted, we do not claim to account for every microanalytical decision. By outlining a more complete portrayal of the economic constraints facing Moscow in this period, what our analysis provides is the basis for a more productive dialogue concerning how these pressures interacted with ideas and leadership in finely grained decision problems.

To illustrate this point, consider the aspect of the Cold War endgame that has arguably received the most attention from international relations scholars: the reunification of Germany. The Soviet decision to submit to Western terms in negotiations over German reunification was clearly an outcome that the Soviets did not desire but acquiesced in once events conspired to leave them with no better alternative. The key question that needs to be resolved is *why* the Soviets eventually faced no better policy alternatives. The expectation derived from our analysis is that Moscow opted to capitulate to Western terms on German reunification in large part because doing otherwise would have been unacceptably costly. For one thing, taking a hard negotiating line on this issue would have created an environment in which it would have been impossible to sharply cut back Soviet defense expenditures at a time when the Soviet economy was spiraling out of control. In addition, taking this route would have threatened the Soviets' efforts to increase access to the international economy.

For scholars who contend that the endgame negotiations present a major puzzle for our explanation, it is axiomatic that the Soviets had a number of viable potential alternatives concerning German reunification. And as the

policymakers' discussion in Chapter 2 indicates, many participants agree. The queries posed by Brent Scowcroft and Robert Zoellick at the conference are echoed by Thomas Risse, who notes:

Although Moscow could no longer influence events or bargaining outcomes in its desired direction, it still could make life quite miserable for the West and for Germany in particular. First, Moscow could have forced the German people to choose between unification and NATO membership, thereby triggering a major domestic dispute in the country during an election year. Second, the Soviet Union could have provoked an international crisis and confrontation with Bonn and Washington by fully insisting on its legal rights over Germany as an allied power. The price to be paid by both sides would have been to start another Cold War just as the first one was about to end peacefully. Third, in the absence of a cooperative agreement with the West, the Soviet Union could have decided to leave its 300,000 troops in East Germany.<sup>79</sup>

Given the extent to which the Soviet economy spiraled out of control after 1989, there is little reason to think that Risse's second option was actually on the table. To the extent that the Cold War was too costly in the 1980s, this economic burden was massively higher in the early 1990s—by which time there was a complete loss of control over the state budget (a deficit of 12–14 percent of GDP in 1989 and over 20 percent in 1990), severe recession (a 5 percent contraction in 1990, 10–15 percent in 1991), hyperinflation (2–5 percent a week in 1991); an overpowering foreign exchange crisis; and a chaotic, empire-wide grab for resources and power by various sub-elites.<sup>80</sup> Given these circumstances, few, if any, policymakers in Moscow thought the Soviet Union had the capacity to start a new cold war at this time.

Concerning Risse's third option, the opportunity cost of taking a firm stance and leaving Soviet troops in Eastern Europe would have been punishingly high. We need more evidence on this period, but there are indications that once the Soviet economy went into a severe tailspin, Gorbachev, Shevardnadze, and a few other top new-thinking officials realized quickly that they simply were not in a position to make strong demands of the West. Given that the GDR's economy was collapsing even faster than the Soviet Union's, it was clear that whoever took responsibility for maintaining order there would be assuming a financial burden far beyond Moscow's means.<sup>81</sup> Publicly, Gorbachev

79. Risse, "Let's Argue!" 24.

80. Data from sources in Table 1.

81. For an insider's contemporary assessment of the GDR's economy at this time, see Hans Hermann Hertle, "Staatsbankrott: Der ökonomische Untergang des SED-Staates," *Deutschland Archiv* 25, no. 10 (October 1992): 1019–30. For scholarly treatments that document the economic crisis and the lack of viable

and his aides stuck to the old definition of Soviet interests—no NATO expansion into the territory of the former GDR—but privately they appear to have concluded that dragging out the negotiations would gain less than it would cost in terms of bad faith, fewer loans and grants from the West to ease the foreign exchange crisis, and slower integration into Western political, security, and financial institutions—all of which would serve to impede their efforts to put the Soviet economy back on track. As Chernyaev puts it, had the Soviets continued to stall the negotiations, “Germany would have been united anyway—without us and against us. And we would not have received the compensation that the Germans gave us—both material and political.”<sup>82</sup>

Thus, of the counterfactual Soviet policy options Risse mentions, it is the first—a cleverer diplomatic strategy for dividing the U.S.-German alliance—that is relatively plausible. Gorbachev might well have forced Helmut Kohl’s hand by agreeing to unification on easy terms in exchange for the new Germany’s exit from NATO’s security structures, packaged with an appropriate upgrading of the Conference on Security and Cooperation in Europe—the broad security organization Moscow had long favored. Oleg Grinevsky did, in fact, forward the idea in February that Moscow should immediately support unification but insist on a neutral, demilitarized Germany.<sup>83</sup> In this scenario, the Germans would have been forced to confront a trade-off between unity and loyalty to the United States and NATO.

What would have happened if the Soviets had adopted such a tougher bargaining stance? The Western powers did discuss this scenario and resolved to stick to their position if it led to a showdown with Moscow.<sup>84</sup> According to Western officials, Washington and Bonn had contingency plans in case the

options, see in particular, Maier, *Dissolution*, and Jeffrey Kopstein, *The Politics of Economic Decline in East Germany, 1945–1989* (Chapel Hill: University of North Carolina Press, 1997).

82. Aleksandr Galkin and Anatoly S. Chernyayev, “Pravdu, i tol’ko pravdu,” *Svobodnaya mysl’*, no. 2–3 (1994): 28. For reconstructing Soviet thinking in this period, the authors are grateful to Anatoly Chernyaev, Sergei Tarasenko, Andrei Grachev, and Oleg Grinevsky for granting interviews on this subject conducted at the conference “German Reunification and the End of the Cold War,” Wildbad Kreuth, Germany, October 21–24, 1999. Excellent published sources include Philip Zelikow and Condoleezza Rice, *Germany Unified and Europe Transformed: A Study in Statecraft* (Cambridge: Harvard University Press, 1995); Angela E. Stent, *Russia and Germany Reborn: Unification, the Soviet Collapse, and the New Europe* (Princeton: Princeton University Press, 1999); and Adomeit, *Imperial Overstretch*.

83. Oleg Grinevskiy, “Kak nachilos’ ob’yednineniye Germanii” (MS, courtesy of Ambassador Grinevskiy). Other alternative diplomatic strategies very roughly along these lines—but vetted later in the endgame—are detailed in Julij A. Kwizinskij, *Vor dem Sturm: Erinnerungen eines Diplomaten*, trans. Hilde Erttinger and Helmut Erttinger (Berlin: Siedler, 1993), and Valentin Falin, *Politische Erinnerungen*, trans. Heddy Pross-Werth (Munich: Droemer Knauer, 1993).

84. Zelikow and Rice, *Germany Unified*, chap. 5.

Soviets balked and asserted their residual four-power rights from World War II. The Western three would simply have unilaterally withdrawn their rights, leaving Moscow alone against the Germans. The resulting formula would have been neither "2+4" nor "4+2" but rather "5 (the two Germanys, France, Britain, and the United States) versus 1 (Moscow)." If the West was truly willing to risk a return of Cold War confrontation rather than acquiesce to German neutrality, then there were few policymakers in Moscow who thought the Soviet Union could prevail. If negotiations broke down, the likelihood was that the Soviets' bargaining position would only deteriorate with time as the Soviet and Eastern German economies continued their precipitous decline. Meanwhile, the West German government was busy creating facts on the ground; in effect beginning to provide governance for what was quickly becoming the former GDR, in fact if not yet in law.<sup>85</sup> Moscow simply lacked the resources to counter this influence—unless it was truly willing to crack down forcefully and assume full responsibility for governing the GDR by whatever means necessary, something no one in Moscow wanted to contemplate.

In the end, it thus appears that the new thinkers were probably right to concede on an issue they would lose after a costly diplomatic struggle. But contingency plans do not a policy make. It is conceivable that Kohl would have been faced with intolerable public pressure to accept the Soviet deal, which could have led to a break with Washington. Or it is possible that Kohl and Bush, seeing the trend, would have countered with offers of more restrictions on Germany's role in NATO. While these outcomes were certainly possible, it is not surprising that the Gorbachev team decided not to gamble on them, given the collapse of the GDR, the rapid deterioration of the Soviet economy, and the immense costs to Moscow of actually using its military muscle in Central Europe. Had the Soviets risked an assertion of their power or their residual rights over Germany, in all likelihood they would have had to face an overwhelming diplomatic counter-coalition.

Rational expectations of which side could prevail if negotiations broke down—as well as which side could offer more material rewards in return for concessions—help explain Gorbachev's sudden acquiescence to Western terms

85. These measures are detailed in Doris G. Wolfram, *The Kohl Government and German Reunification: Crisis and Foreign Policy* (Lewiston, N.Y.: Edwin Mellen Press, 1997). They were part of Bonn's larger policy of using economic incentives in the diplomacy of reunification, which is brilliantly documented in Randall E. Newnam, *Deutsche Mark Diplomacy* (University Park: Pennsylvania State University Press, 2001).

in the spring of 1990. Gorbachev was reluctant to endorse any diplomatic ploy that banked on the GDR, which by January he had concluded was doomed.<sup>86</sup> He seems to have concluded that as much as he opposed the inclusion of Germany within NATO, a concession on this issue would pay off in the future in terms of better relations with the new Germany. Various factors appear to have factored into his thinking on this score. For one thing, in 1990 West Germany ranked first as provider of capital investment to the Soviet Union, as well as being the number one source of joint ventures in the country.<sup>87</sup> In short, West Germany was a very lucrative economic partner—and had the potential to become an even more important one in the future. Moreover, the growing economic crisis facing the Soviet Union made joint ventures and capital all the more necessary; Gorbachev specifically noted in 1990 that it was exactly at this moment that Western economic involvement was most urgently needed.<sup>88</sup> For these reasons, the risks of spoiling the emerging relationship with Germany seemed high indeed. Of course, beyond these potential costs of adopting an intransigent position in the negotiations, moving forward on German reunification also had very substantial, direct economic benefits for the Soviets, most notably DM 20 billion to offset the costs of repositioning Soviet troops as well as new grants and loans on favorable terms.<sup>89</sup>

It is here, ironically, that we find the most likely potential alternative to Gorbachev's policy. In contemporary debates, many old thinkers castigate Gorbachev, not for allowing German reunification, but rather for not receiving enough financial compensation from the West in return.<sup>90</sup> Thus, the old thinkers' great alternative on German reunification seems to boil down to a claim that they would have been sharper bargainers with the West. Adopting a tougher bargaining strategy in this instance may or may not have meant a larger inflow of financial capital into the Soviet Union. While adopting such a

86. The January 27, 1990, Politburo meeting at which Gorbachev formally decided to bank on the FRG is recounted in Chernyaev, *My Six Years with Gorbachev*, chap 7.

87. In March 1990, West Germany provided 13.7 percent of the total number of joint ventures in the Soviet Union and 12.5 percent of the initial capital investment in the country. See Alan B. Sherr, "Foreign Direct Investment in the Soviet Union: Status and Trends," Center for Foreign Policy Development, Briefing Paper no. 5 (Brown University, May 1991), 33.

88. *Ibid.*, 16. Gorbachev described Bonn's willingness to agree to assume financial responsibility for the GDR and offer Moscow new credits as "oxygen" for perestroika. Quoted in Stent, *Russia and Germany Reborn*, 126.

89. Newnham, *Deutsche Mark Diplomacy*, is the best source here.

90. Thus, at a conference in Moscow organized by Russia's Institute of General History and the Merghon Center at Ohio State University, Yazov responded to the question of what he would have done differently regarding German unification by stating, "I would have demanded more money from the Germans!"

ploy might have resulted in a Soviet Union momentarily less strapped for cash, it would not have changed the course of the Cold War's resolution to any meaningful degree.

#### *Counterargument 5: The United States Is Benign*

Finally, many scholars and former Bush administration officials contend that the accommodating Soviet stance during the Cold War endgame—and particularly in the negotiations over German unification—were prompted by a U.S. strategy of engaging in concessions and other forms of reassurance that allowed Gorbachev to trust the United States to a remarkable degree.<sup>91</sup> This counterargument raises a simple empirical question: As the Soviets revamped their foreign policy practices and engaged in one concession after another in the late 1980s and early 1990s, did the United States reciprocate? More specifically, did the Soviets submit to Western terms on issue after issue because of the cumulative effect of a cooperative pattern of interaction characterized by mutual concessions and assurances in the late 1980s and early 1990s? Scholars who advance this form of argument are certainly right that Gorbachev desperately wanted his Western partners to match Soviet concessions and that he tried through appeals and gestures to get them to do so.<sup>92</sup> However, the evidence overwhelmingly shows that the Cold War's end simply ratified preexisting foreign policy interests in the West.<sup>93</sup>

As far as Western decision-making elites were concerned, the end of the Cold War was the wholesale collapse of one worldview and the triumph of another. The general pattern that emerges from the evidence is clear: Washington was slow to respond to Gorbachev's concessions, never reciprocated them in kind, and never compromised its basic approach to international security.<sup>94</sup> U.S. decision makers rebuffed Gorbachev's testing moratorium; they insisted on SDI despite a ceaseless campaign by Gorbachev; they held an Afghan settlement hostage to their "right" to arm the mujahedin rebels to the

91. The most recent articulation of this popular argument is Andrew Kydd, "Trust, Reassurance, and Cooperation," *International Organization* 54, no. 2 (spring 2000): 325–57, esp. 350.

92. In his introductory remarks at the Endgame conference, Anatoly Chernyaev noted his surprise that it was the ideologically minded Soviets rather than the pragmatic Westerners who were first to trust their old adversaries.

93. See Shoon Murray, *Anchors Against Change: American Opinion Leaders' Beliefs After the Cold War* (Ann Arbor: University of Michigan Press, 1996).

94. This is the basic theme of Raymond L. Garthoff's magisterial *The Great Transition: American-Soviet Relations and the End of the Cold War* (Washington, D.C.: The Brookings Institution, 1994).

end; they engaged in a prolonged “strategic review” to assess Soviet intentions even after Gorbachev had made a series of spectacular unilateral concessions; they would not alter their policy on the Baltics even in 1990, the year in which U.S.-Soviet relations were the closest they had ever been; and the United States—together with its West German ally—forced German unification in NATO against Gorbachev and Shevardnadze’s insistent, nearly hysterical pleading.

The most striking evidence concerning U.S. policy is what is absent from the policymaking record: any serious argument for doing what Gorbachev wanted, which was to treat the ending of the Cold War symmetrically, as if the Warsaw Pact and NATO were equals. The major debate concerns whether President Bush and Secretary of State Baker, who did change their rhetoric but never significantly altered any basic Western security institution or practice, went too far in “coddling” Gorbachev. The general alternatives within U.S. policy circles were strongly weighted toward even less willingness to bend for Moscow’s benefit.<sup>95</sup> The actions of U.S. officials, if not their words, bespoke confidence that Soviet relative decline had left Gorbachev with few realistic options other than to make concession after concession to Western views. The Bush administration’s policy toward Moscow, as formulated in National Security Directive 23 (September 1989), called for “the integration of the Soviet Union into the existing international system,” which required “fundamental alterations in Soviet military force structure, institutions, and practices that can only be reversed at great costs, economically and politically, to the Soviet Union.”<sup>96</sup>

If the Gorbachev team balked at U.S. terms, the Americans were apparently ready to revert to a Cold War confrontation in which they knew they would hold the upper hand.<sup>97</sup> To be sure, President Bush was extremely care-

95. See Robert M. Gates, *In from the Shadows: The Ultimate Insider’s Story of Five Presidents and How They Won the Cold War* (New York: Simon & Schuster, 1996); Zelikow and Rice, *Germany Unified*; Robert L. Hutchings, *American Diplomacy and the End of the Cold War: An Insider’s Account of U.S. Policy in Europe, 1989–92* (Baltimore: Johns Hopkins University Press, 1997); Jack F. Matlock, Jr., *Autopsy on an Empire: The American Ambassador’s Account of the Collapse of the Soviet Union* (New York: Random House, 1996).

96. NSD 23 (9/22/89), “United States Relations with the Soviet Union,” from National Security Archive’s Briefing Book for its oral history conference “The End of the Cold War in Europe, 1989: New Thinking and New Evidence,” Musgrove, St. Simon’s Island, Georgia, May 1–3, 1998.

97. Zelikow and Rice, *Germany Unified*, report that Washington was ready to insist that the reunified Germany remain a member of NATO, even at the risk of a crisis in the relationship. In the spring of 1988, the CIA predicted that Moscow would embark on unilateral arms reductions out of economic necessity. Doc. No. 59 in Brown University, “Understanding the End of the Cold War.” In September 1989, the CIA

ful to say nothing to humiliate Gorbachev publicly. At Malta, he even agreed to cease talking about uniting Europe based on "Western values," agreeing to use the more neutral "democratic values."<sup>98</sup> But privately the president and his aides believed that the United States had won the Cold War. As Bush told Kohl at the Camp David summit in February, "The Soviets are not in a position to dictate Germany's relationship with NATO. What worries me is talk that Germany must not stay in NATO. To hell with that! We prevailed, they didn't. We can't let the Soviets clutch victory from the jaws of defeat."<sup>99</sup>

This was neither the attitude nor the behavior of people who believed that the Soviet change of heart was in any way contingent upon any foreign policy concessions on their part. Such basic confidence led the Western powers to be extraordinarily tough bargainers with the Soviets. Regarding German unification in particular, former West German and U.S. officials and others argue the West sought successfully to exploit Soviet weakness to achieve German unification "utterly and unequivocally on Western terms."<sup>100</sup>

In sum, the evidence indicates that the United States simply did not adjust its foreign policy practices to any meaningful degree during the Cold War endgame, and that this was in large part because the Soviets were in no material position to push Washington to do so. It is true that personal relationships of trust did evolve among key leaders in the three main governments concerned, the Soviet, West German, and U.S. But these relationships were quite slow in developing. Indeed, the Endgame conference discussions reflect what other available evidence suggests: that the process of the dissolution of communism in Central Europe was well along before relations of trust appeared to take hold among Kohl, Gorbachev, and Bush. In other words, trust emerged when the economic fortunes of the Soviets collapsed and they agreed to Western terms. It is thus difficult to disentangle the importance of interpersonal synergy from the dictates of dire necessity, in the case of

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asserted that Soviet domestic instability would "prevent a return to the arsenal state economy that generated the fundamental military threat to the West . . . since World War II" whether or not Gorbachev retained power. Directorate for Intelligence (CIA), "Gorbachev's Domestic Gambles and Instability in the USSR, An Intelligence Assessment" (September 1989); declassified and on file at the National Security Archive, George Washington University.

98. The memorandum of conversation is excerpted in Mikhail S. Gorbachev, *Gody trudnykh resheniy: Izbrannoye 1985-1992* (Moscow: Tortuga, 1993), 172-97.

99. George Bush and Brent Scowcroft, *A World Transformed* (New York: Alfred A. Knopf, 1998), 252.

100. Zelikow and Rice, *Germany Unified*; Hutchings, *American Diplomacy*; Horst Teltschik, *329 Tage: Innenansichten der Einigung* (Berlin: Siedler, 1991).

Gorbachev, and the delights of getting exactly what one wants, in the case of Bush and Kohl.

Of course, in any particular negotiation, one can find instances of U.S.-Soviet give-and-take, and indeed, some concessions on the part of the United States. As stressed above, we make no claim to be able to explain every aspect of each and every negotiation. In the final analysis, however, there is no way to avoid the conclusion that the United States was extraordinarily firm in the positions it adopted and that cooperation during the Cold War endgame was largely the product of a shift by the Soviets, albeit a reluctant one, toward long-standing U.S. positions. For this reason, it is hard to place much weight on the importance of an overall atmosphere of trust and reassurance generated by mutual concessions as an influence on the Cold War endgame.

### **Conclusion**

Our basic finding is that changing economic constraints made the Cold War's end on Western terms the most likely outcome. We do not mean to claim that the agency of key leaders, the role of certain ideas and cognitive processes, or the actions of particular domestic actors or interest groups did not "matter" in the end of the Cold War. We agree with James Baker and the other Princeton conferees, as well as with our scholarly colleagues, that these factors influenced events—as they likely do in all other major cases in international relations. But they all played out against the backdrop of massive and deep economic shifts. Too often, the links between such large-scale changes and ideas, leaders, and domestic politics are not explored. We argue that it is not enough to claim that large-scale economic changes do not determine outcomes and then proceed to analyze other factors as if they were somehow unrelated. Leaders, ideas, bargaining, signaling, domestic struggles, and the evolution of trust were all profoundly affected by shifting economic constraints. By analyzing the intimate connection between economic and political change, it is possible to achieve a more accurate estimate of the relative weight of each factor in producing the outcome.

Why should we care? Why not simply compose a long list of putative causes and be done with it? The answer is that scholarship demands empirical precision. In order to know how ideas, cognitive processes, leadership, and domestic politics matter we need to know how strongly economic incentives shape behavior in various settings. The only way to develop better models of

international relations is to test them rigorously against real cases. And the only way to do that is to establish with as much precision as possible how various factors worked together to produce the outcome. In the final analysis, no theory or analytical framework can substitute for careful empirical research; and no argument about the meaning of the end of the Cold War for policy and theory that is unsupported by such research will stand the test of time.