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Scott Elias

Wesleyan University, selias@wesleyan.edu

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Neo-liberalism and Its Discontents: Assessing the Aftermath of the Soviet Collapse

Scott Elias

“The West won’t contain communism, it will transcend communism. It won’t bother to...denounce it, it will dismiss it as some bizarre chapter in human history whose last pages are even now being written.”

-Ronald Reagan, Speech at Notre Dame University, May 17, 1981

When Ronald Reagan made this bold prediction, few truly conceived of the collapse of the Soviet Union or the end of the Cold War. Yet sure enough, as Marx Mazower notes in *Dark Continent*, “the collapse of Soviet control was fast, unexpected, and peaceful, and it swept across the region as a whole.”¹ As expected, the West hailed the collapse as a positive phenomenon that confirmed an ideological triumph of liberal democracy, ‘the end of history’ as Fukuyama boldly claimed, while Russian President Vladimir Putin stated that the collapse of the Soviet Union was “a major geopolitical disaster of the century.”² Pushing back against the conventional Western narrative of the aftermath of the Cold War, this paper will argue that the period following the collapse of the Soviet Union was not the triumph of liberal democracy the West purported. Rather, it was an ideological triumph for neo-liberalism, a market-driven approach to economic and social policy that emphasized relatively open markets and ushered in a great victory for a particular form of capitalism. However, it is important to identify the distinction between a free market and political freedom, and this victory for capitalism did not appear without its drawbacks—namely geopolitical and economic turmoil in Russia and Eastern Europe, and durable authoritarianism.

According to Mazower, by the 1970s the Soviet alternative to capitalist modernity was growing far less attractive compared to its Western counterpart. Its egalitarian pledge was tenuous at best: income equality was threatened by reforms to increase efficiency; social

¹ Mark Mazower, *Dark Continent: Europe's Twentieth Century* (New York: Vintage Books, 1998), 362.

² Vladimir Putin, *Annual Address to the Federal Assembly of the Russian Federation* (Moscow: April 25, 2005).

mobility was thwarted; and welfare benefits failed to equalize real incomes as they turned into party privileges rather than universal social rights, spawning a growing anger against the privileged Soviet elite.³ In essence, the economics of ‘communism’ itself had self-destructed. In contrast to a West that had already kicked aside the Keynesian consensus on how to boost aggregate demand via public expenditures, displaying a willingness to adjust their economies through deflation or mass unemployment, the Soviet Union “chose to keep consumers suffering through scarcity and shoddy goods in preference to throwing workers out of their jobs.”⁴ The implication of Mazower’s analysis is that the Soviet Union neglected the fact that workers were consumers as well, and though economic transformation was necessary it was seemingly impossible.

This growing sentiment of a need for change did not escape Soviet leaders. By 1980 Andropov spoke bluntly of the need for fresh thinking and urgent economic reform, and when Gorbachev came to power in 1985 he offered *glasnost* (openness) and *perestroika* (restructuring) in attempt to reform and revive a decaying Soviet Union.⁵ According to Stephen Kotkin, Gorbachev was guided by a mistaken belief that relaxing censorship would increase the population’s allegiance to socialism, and that the Communist Party could be democratized.⁶ Mazower would concur that it was indeed a mistaken view, noting that by early 1989 popular fronts had defeated the Party in elections to the new USSR Congress of People’s Deputies, and that they began to switch their demand from autonomy to full independence.⁷ Thus, the Soviet attempt at reform, in opening up the bureaucratic apparatus to fresh ideas and criticism from all angles, had transformed into a revolution against the Soviet system. With the Soviet experiment

³ Ibid., 363.

⁴ Ibid., 365.

⁵ Ibid., 379-380.

⁶ Stephen Kotkin, *Armageddon Averted: The Soviet Collapse 1970-2000* (Oxford: Oxford University Press, 2008), 3.

⁷ Mark Mazower, *Dark Continent: Europe’s Twentieth Century* (New York: Vintage Books, 1998), 381.

decaying, Western neo-liberal capitalism would triumph amidst the dissolution of the monolithic Soviet Union, a vast sphere of influence no longer bound by the centralized and ‘Socialist’ dictates of Moscow.

With the collapse of the Soviet Union its former territories faced both geopolitical and economic turmoil. In stark contrast to the narrative of greater European unity following the conclusion of the Cold War, the war in Yugoslavia can be seen as a product of the collapse of Soviet federalism.⁸ The fall of communism, as Mazower contends, unleashed nationalism’s disruptive geopolitical potential.⁹ As Kotkin points out, when the exhaustive experiment in non-capitalist modernity failed, the Soviet breakup was accompanied by more than half a dozen civil wars.¹⁰ From Chechnya, Ossetia, and Abkhazia in the Caucasus to Moldova and Tajikistan, these conflicts resulted in thousands of deaths, several million refugees, “a number of internationally unrecognized statelets that de facto subdivided the fifteen successor states,” and a series of geopolitical obstacles that remain to this day.¹¹ The consequences of Soviet dissolution were neither short nor simple. As Kotkin indicates, throughout the 1990s Soviet-era hospitals and schools were decaying or closed, power grids were aging but not being replaced, and “Soviet-era radar and air defense systems were largely unsalvageable, since they were integrated structures with indispensable parts spread in different republics.”¹² For the inhabitants of the former USSR, the collapse was, as Putin put it, indeed a geopolitical disaster.

Despite the prevalent narrative that democracy emerged victorious from the Cold War, a more appropriate narrative is the ideological triumph of neo-liberalism. Mazower describes this triumph as “jungle capitalism, where massive fortunes are made alongside poverty unparalleled

⁸ Ibid., 390.

⁹ Ibid., 390.

¹⁰ Stephen Kotkin, *Armageddon Averted: The Soviet Collapse 1970-2000* (Oxford: Oxford University Press, 2008), 4.

¹¹ Ibid., 4.

¹² Ibid., 184-185.

elsewhere in Europe.”¹³ Western optimism about the era of progress and democracy that would ensue was founded in either spurious reasoning or genuine naiveté. Rather than aiding Eastern Europe, the European Bank of Reconstruction and Development spent most of its initial funds on “marbling sumptuous headquarters in London.”¹⁴ For though the newly “liberated” eastern Europeans had the dream of rejoining a Europe of freedom, Mazower asserts that the rest of Europe was “too preoccupied by its own welfare crisis, fiercely protective of its industries, and largely uninterested in the practical difficulties of helping smooth their transition to democracy and capitalism.”¹⁵ Instead, Western neo-liberalism put forward the myth that simply dismantling the old institutions of state socialism would enable capitalism to flourish. As a result Eastern Europe witnessed the destruction of the old ‘communist’ welfare system without anything being put in its place.¹⁶ Instead of promised prosperity, Eastern European towns and industries collapsed, decontrolled rents spiraled out of control, and a select group of capitalists with concentrated wealth emerged in societies that now dismissed their previous dedication to the egalitarian rhetoric of communism.¹⁷ With no safety net for Eastern Europe, Mazower suggests that this “new capitalism was more unstable, creating new *Mafiosi*, breeding crime and destroying the savings of honest people through pyramid scams which they mistook out of inexperience for regular banks.”¹⁸ The market might have been liberalized, but for the vast majority of people in Eastern Europe it was far from the positive or democratic phenomenon exaggerated by the West.

As John Lewis Gaddis indicates in *The Cold War: A New History*, the cold war was not simply a geopolitical rivalry or nuclear arms race, but a competition for how best to organize

¹³ Ibid., 400.

¹⁴ Ibid., 386.

¹⁵ Ibid., 385.

¹⁶ Ibid., 385.

¹⁷ Ibid., 386.

¹⁸ Ibid., 386.

society.¹⁹ Yet if one is to argue that it was a conflict between democracy and authoritarianism then it is a conflict that continues to this day. Kotkin indicates that in the collapse's aftermath Russia had "gross income disparities, contempt for the public interest, mass corporate tax evasion, pervasive recourse to political power in the market place, hyper-commercialized media, money-besotted elections, and demagoguery."²⁰ After drastically devaluing the ruble, defaulting on its debt, and facing international abasement, Russia had an epic turn around, attempting to establish a multipolar world order that would restrain American unilateralism.²¹ What defined Russia's turnaround was not liberal democracy, but what Kotkin dubs Putinism—the combination of a relatively open market economy integrated into the global economy with an authoritarian political system.²² The aftermath of the Cold War might not have resolved the conflict over democracy or authoritarianism; two decades after the Soviet collapse durable authoritarianism remains. What the collapse did suggest, however, was a resounding triumph for neo-liberalism's emphasis on relatively open markets, benefiting few at the expense of the many.

In a sense Reagan was correct. The Western forces of neo-liberalism didn't need to contain the Soviet alternative to capitalist modernity. It would prove to collapse on its own accord and land itself in the 'dustbin of history.' The collapse of the USSR was neither the end of history nor the advent of universal freedom. For Fukuyama's grand vision of the USSR's collapse marking the end of history—the end point of mankind's ideological evolution and the subsequent universalization of Western liberal democracy as the final form of human government—is but a presumptuous Western celebration of neo-liberal hegemony.²³ In proselytizing the ideal of liberal democracy and the alleged superiority of market capitalism as

¹⁹ John Lewis Gaddis, *The Cold War: A New History* (New York: Penguin Books, 2007), 84.

²⁰ Stephen Kotkin, *Armageddon Averted: The Soviet Collapse 1970-2000* (Oxford: Oxford University Press, 2008), 8.

²¹ *Ibid.*, 199.

²² *Ibid.*, 214.

²³ Francis Fukuyama, "The End of History?," *The National Interest*, 1989.

an ideal end of history, Fukuyama's initial thesis categorically neglects that in the aftermath of the Soviet collapse and subsequent triumph of neo-liberal capitalism there is still widespread violence, famine, inequality, injustice and oppression inflicting the lives of much of the human species. It omits the role of neo-liberal policies in generating such profound contemporary problems. Most importantly, it implicitly qualifies neo-liberalism's questionable critique of socialism as the antithesis of freedom, rendering socialist alternatives as obsolete, without acknowledging neo-liberalism's inability to deliver the liberty that is supposed to be its compelling premise. A thousand years ago liberal democracy and capitalism did not exist. Acknowledgement of the recent triumph of neo-liberalism tacitly requires recognition that there is more than one form of capitalism, that capitalism is evolutionary. Yet it speaks little to different forms of socialism or even the possibility and role of evolutionary leftist thought in future generations, presuming the indefinite death of Marx. The Soviet collapse should not be glorified into something historically naive such as the triumph of liberal democracy, especially given the persistence of durable authoritarianism in the world system roughly two decades later. Rather, the collapse was a geopolitical calamity defined by conflict and decay, and in which relatively open markets triggered a neo-liberal era of tycoons, oligarchs and fledgling plutocracy where few were enriched at the expense of the many, former social safety nets were dismembered, and the myth of neo-liberal universal progress reigned supreme.

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